Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

U. S. DEPT. OF AGRICULTURE
NAT ... LIBRARY
NOV 1 3 1964
CURRENT SERIAL RECORDS

VOL. 2

U.S. Department of Agriculture

1964 BUDGET

EXPLANATORY NOTES

ECONOMIC RESEARCH SERVICE

STATISTICAL REPORTING SERVICE

AGRICULTURAL MARKETING SERVICE

FOREIGN AGRICULTURAL SERVICE

COMMODITY EXCHANGE AUTHORITY

AGRICULTURAL STABILIZATION
AND CONSERVATION SERVICE

C O N T E N T S

(Volume 2)

	Pages
ECONOMIC RESEARCH SERVICE:	
Purpose Statement	1
Salaries and Expenses	4
Statement of Obligations Under Allotments and Other Funds	30
Passenger Motor Vehicles	32
STATISTICAL REPORTING SERVICE:	
Purpose Statement	33
Salaries and Expenses	35
Statement of Obligations Under Allotments and Other Funds	48
Passenger Motor Vehicles	49
AGRICULTURAL MARKETING SERVICE:	
Purpose Statement	50
Marketing Research and Service	55
Construction of Facilities	99
Payments to States and Possessions	101
Special Milk Program	106
School Lunch Program	112
Removal of Surplus Agricultural Commodities	121
Perishable Agricultural Commodities Act Fund	140
Statement of Obligations Under Allotments and Other Funds	146
Passenger Motor Vehicles	148
FOREIGN AGRICULTURAL SERVICE:	
Purpose Statement	149
Salaries and Expenses	154
Salaries and Expenses (Special Foreign Currency Program)	214
Statement of Obligations Under Allotments and Other Funds	219
Passenger Motor Vehicles	220
COMMODITY EXCHANGE AUTHORITY:	
Purpose Statement	221
Salaries and Expenses	222
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE:	
Purpose Statement	233
Expenses, ASCS	238
Sugar Act Program	256
Agricultural Conservation Program	268
Conservation Reserve Program	276
Land-Use Adjustment Program	282
Emergency Conservation Measures	284
Statement of Obligations Under Allotments and Other Funds	288
Passenger Motor Vehicles	290

ECONOMIC RESEARCH SERVICE

Purpose Statement

The Economic Research Service was established by Secretary's Memorandum No. 1446, Supplement No. 1, of April 3, 1961 under Reorganization Plan No. 2 of 1953 and other authorities. The Service develops and carries out a program of economic research designed to benefit farmers and the general public. The findings of this research are made available to farmers and others through research reports and through economic outlook and situation reports on major commodities, the national economy, and the international economy. The Service carries out the following major activities:

1. Farm economics research consists of a nationwide program of research dealing with the economic problems of agricultural production and resource use to measure, appraise and analyze on a continuing basis, the current and prospective changes that occur in agriculture, and to evaluate the adjustments which farmers and the industry can make feasibly to meet these changing conditions.

2. Marketing economics research, including economic and cost analyses and research relating to the marketing of specific agricultural commodities; the organizational structure and practices of commodity markets; costs and margins involved in the marketing of agricultural products; farmers' bargaining power; the economics of product quality and grade; market potentials, distribution and merchandising of agricultural products; and the economics of transportation.

3. Domestic and foreign economic analysis. Domestic economic analysis consists of economic and statistical research on agricultural prices, farm income, commodity outlook and situation, the supply and consumption of farm products, farm population and rural life, and agricultural history. Foreign economic analysis includes economic studies of supply of, demand for, and trade in farm products in foreign countries and their effect on prospects for U. S. exports, analysis of farm export programs, progress in economic development and its relationship to sales of farm products; assembly and analysis of agricultural trade statistics; and analysis of international financial monetary programs and policies, as they affect the competitive position of U. S. farm products.

4. Research under Sections 104(a) and (k) of P.L. 480. Economic analyses and research projects beneficial to the United States which can be advantageously conducted overseas by foreign research institutions and universities are financed with foreign currencies through contracts and grants. Professional personnel carefully review and appraise for technical adequacy these projects prior to carrying on the negotiations leading to contract execution. During the course of the work, the Service periodically appraises progress and methods used in the contract or grant, and reviews reports produced as a part of the project. The Explanatory Notes under the appropriations for the Foreign Agricultural Service and the Agricultural Research Service contain discussions of 104(a) and (k) activities.

5. Work performed for others - The ERS performs research services for other Federal, State and private agencies on a reimbursable or advance payment basis. These include special studies of agricultural economics of foreign countries, the AID foreign visitor training program, special economic studies on water and land conservation programs and practices, appraisals of price-support and production control programs, and various types of marketing studies.

The ERS functions through a central office in Washington, D. C., and through a field organization which is involved chiefly in farm and marketing economic research. Much of the research is carried on in cooperation with State experiment stations, State Departments of Agriculture or Marketing, and other State institutions.

As of November 30, 1962, there were 1,007 full time employees of whom 208 were in the field. In addition, there were 34 part-time and intermittent employees, chiefly in the field.

	Estimated Available, 1963	Budget Estimates, 1964
Appropriated funds:		
Salaries and Expenses	$9,528,400	$10,301,000

Proposed Transfer in the 1964 Budget Estimates

The budget estimates reflect a transfer in the 1964 estimates of $328,600 from the Economic Research Service to the Farmer Cooperative Service. For several years funds appropriated to the Economic Research Service have been transferred to the Farmer Cooperative Service for economic and marketing research for farmer cooperatives. The 1964 Budget proposes that such funds for this type of research be included in the budget for the Farmer Cooperative Service.

Salaries and Expenses

Appropriation Act, 1963	$9,500,000
Activities transferred in the 1964 estimates to "Salaries and expenses, Farmer Cooperative Service," for economic research for farmer cooperatives (Includes $12,000 for increased pay costs)	-328,600
Proposed transfer, 1963, for increased pay costs	357,000
Base for 1964	9,528,400
Budget Estimate, 1964	10,301,000
Increase	+772,600

SUMMARY OF INCREASES AND DECREASES, 1964

To develop estimates of national and regional land requirements to guide land-use adjustments and to determine the productivity and economic returns of land in alternative uses	+209,800
Reduction in marketing economics to provide funds for higher priority items	-200,000
To strengthen current commodity Outlook and Situation reports and related analyses of alternative farm program proposals	+125,500
To expand work on estimates of farm income and production and increase other economic research	+90,000
To expand research on Common Market trade in farm products and impacts of changes in trading arrangements on U. S. agricultural exports	+93,300
To develop basic information on longer range prospects for foreign supply, demand and trade in farm products	+110,000
Reduction to reflect estimated savings due to the installation of a centralized data processing operation (MODE) for personnel and payroll data	-8,000
For postal costs pursuant to Public Law 87-793	+17,000
For pay act costs pursuant to Public Law 87-793	+335,000
Net increase	+772,600

PROJECT STATEMENT

Project	1962	1963 (estimated)	Increases and Decreases: Increased Pay and Postal Costs (P.L.87-793)	Increases and Decreases: Other	1964 (estimated)
1. Farm economics	$3,311,073	$3,465,400	+$127,600	+$205,800	$3,798,800
2. Marketing economics	3,118,557	3,236,400	+107,600	-200,000	3,144,000
3. Domestic and foreign economic analysis	2,631,217	2,826,600	+116,800	+414,800	3,358,200
Subtotal a/	9,060,847	9,528,400	+352,000	+420,600(1)	10,301,000
Unobligated balance	32,553	- -	- -	- -	- -
Total increased costs (P.L. 87-793):					
Pay costs	(- -)	(345,000)	(+335,000)	(+29,000)	(709,000)
Postal costs	(- -)	(4,000)	(+13,000)	(- -)	(17,000)
Total available or estimate	9,093,400	b/9,528,400	+352,000(2)	+420,600	10,301,000

(Continued on next page)

Project	1962	1963 (estimated)	Increases and Decreases: Increased Pay and Postal Costs (P.L.87-793)	Increases and Decreases: Other	1964 (estimated)
Transfer in 1963 estimates from "Salaries and expenses, Farmers Home Administration"	-50,000	- -			
Transfer in 1964 estimates to "Salaries and expenses, Farmer Cooperative Service" .	+316,600	+328,600			
Transferred from "Reimbursement to Commodity Credit Corporation for special milk program" for increased pay costs ..	- -	-357,000			
Total appropriation or estimate	9,360,000	9,500,000			

a/ Represents obligations. Applied costs for 1962 are $8,980,113. The difference of $80,734 reflects, primarily, orders for printing and equipment placed in 1962 over such services and equipment used in that year.

b/ Includes $4,700 estimated to be transferred to "Salaries and expenses, General Administration", during fiscal year 1963 for the Office of the Inspector General.

INCREASES AND DECREASES

(1) A net increase of $420,600 consisting of:

(a) An increase of $209,800 for farm economics research for developing estimates of national and regional land requirements to guide land-use adjustments, and for determining the productivity and economic returns of land in alternative uses.

Need for Increase: Over 50 million acres of present cropland are expected to be surplus for crop production during the next 20 years. Over the same period there will be an increasing demand for land for nonagricultural uses. Research information is needed to guide programs for shifting land from crops to alternative new uses.

This need for expanded research has been expressed by officials of the Executive Branch and by Congress. In his Message on Agriculture, the President stated, "I recommend legislation to encourage a comprehensive survey of land uses, to undertake a research program on the conversion of land to alternative purposes ...."; and in his Message on Conservation, he said, "Economic studies to provide the bases for sound land and water resources policies and optimum land use adjustments will be further intensified." And the Senate Committee on National Water Resources has emphasized the need for preparing comprehensive development plans for all major river basins by 1970.

The Food and Agriculture Act passed by Congress in 1962 authorizes the Department of Agriculture to undertake a program to promote land-use adjustments for the purposes of conserving and developing soil, water, forest, wildlife, and recreation resources; and to conduct surveys and investigations relating to conditions and factors affecting and the methods of accomplishing most effectively the purposes of land conservation and land utilization.

Expanded economic research is needed to provide the information necessary for most effectively formulating and implementing this program of land-use adjustment. An improved method of analysis, national in scope, is needed to estimate the land-use requirements which will fulfill the continually changing demands of society for the agricultural and nonagricultural products and services of land. The following chart illustrates schematically some of the essential factors to be considered in a national analytical framework for establishing land requirements and guiding land-use adjustments. The development of an adequate national framework of analysis would identify: (a) the marginal areas within and among regions where transfer of land from present to new uses, such as crop to range, crop to forest, and range to forest, should be considered; (b) within and among regions, the optimum use of land for particular crops as related to consuming centers and the productive capabilities of land; and (c) the interrelationships between agricultural requirements for land and economic activity in nonagricultural segments of regional and national economies.

Improved basic data are requisite for the meaningful application of highly developed frameworks of analysis. Particularly needed for guilding and appraising land-use adjustment programs are data which indicate the productivity and economic returns of land in alternative crop and noncrop uses. A program of research is urgently needed that would develop an improved method of analysis, the type of land productivity and economic data necessary for its use, and estimates of national and regional land requirements.

Plan of Work: The Economic Research Service in recent years has responded to requests by the Senate Select Committee on National Water Resources and the U.S. Department of Agriculture Land and Water Policy Committee for studies of the productive potential of land and water resources in agriculture as related to future requirements for agricultural output. These studies have suffered from inadequate methods of analysis and inadequate basic data on the productivity of land. However, these studies and analyses of development potentials in selected river basins and of agricultural adjustments in major producing areas have led to a modest start on the formulation of a national framework of analysis and the development of economic productivity data for land in selected areas. Research under this proposed project would expand and strengthen these initial efforts. Availability of improved methods of analysis and data on the economic productivity of land would enable a more immediate and adequate response by the Economic Research Service to requests for river basin, area, regional, or national studies of resource development and adjustment. Such analyses would be of particular value in providing an appropriate research base for the preparation of comprehensive river basin development plans and regional studies concerned with stimulating economic growth through resource development.

The development of economic productivity data would be accomplished in close cooperation with agronomists, soils specialists, and conservation technicians in Agricultural Experiment Stations, the Soil Conservation Service, and other Federal and State agencies. Soil surveys, data from the National Conservation Needs Inventory, and estimates of the Statistical Reporting Service would be used with additional economic data to identify the major uses and the amounts and locations of soils of different inherent productivity characteristics. Within principal resource areas, soils would be grouped on the basis of similar crop adaptabilities and equivalent productivity. For a base year under current technology, economic productivity ratings for alternative uses would be determined for each group. This may be visualized for each soil group as follows: (land use pattern) X (crop yields) X (price) = (crop values) - (non-land costs) = (net economic productivity). Thus the economist would work with soils experts in determining the land use pattern and crop yields. Then he would apply economic data to determine measures of net economic productivity.

Formulation and refinement of the frame work of analysis would be undertaken concurrently with the development of productivity data. In areas for which productivity data are already available as a result of other studies, additional work would be undertaken only when necessary to improve existing data. Applications of the framework of analysis would be made as data became available on a region by region basis.

(b) A reduction of $200,000 for marketing economics to provide funds for higher priority items in domestic and foreign economic analysis. The complete area of marketing economics activity has been reviewed extensively and, although the need for much of this work continues to be desirable, it has been determined that certain projects can be delayed or deferred. This reduced emphasis will be made in the areas of: (1) farm-to-market transportation analysis; (2) program appraisals of grading and food distribution programs; (3) studies on reducing costs through use of new technologies and methods in marketing operations; and (4) studies of maintenance and improvement of quality in marketing practices.

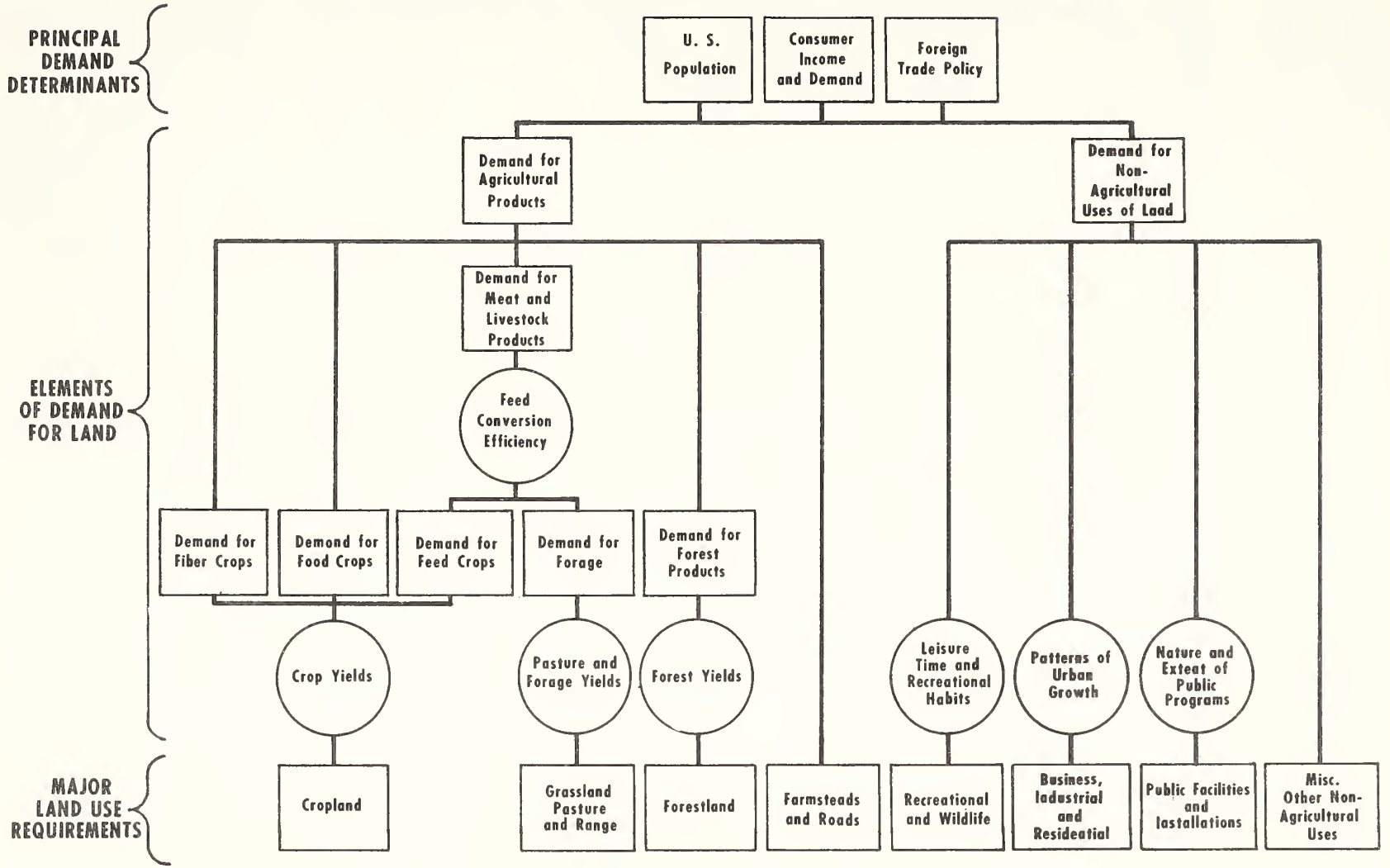
(c) An increase of $418,800 for domestic and foreign economic analysis to provide:

1. $125,500 to strengthen current commodity Outlook and Situation reports and related analyses of alternative farm program proposals.

Need for Increase: The American farmer looks to the Department for accurate appraisals of the economic prospects relating to markets and prices for the commodities he produces and sells. This information is disseminated primarily through the regularly published Outlook and Situation Reports which need further improvement to increase the ability of farmers to gauge our economic prospects and to make those productions and marketing adjustments that will return the maximum net income for their labor and management.

At the same time, efforts to develop more effective but less costly farm programs are being intensified, and the various alternative proposals must be carefully evaluate from two standpoints. First, they must be analyzed in terms of their impact on farm output, prices and income. Second, they must be analyzed in terms of their impact on other parts of the economy. The level of farm income affects not only the farmer who receives the income but also suppliers of feed, fertilizer, and machinery; retailers;

FACTORS AFFECTING FUTURE LAND USE REQUIREMENTS



U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 1645-62 (12) ECONOMIC RESEARCH SERVICE

Chart 1

transportation industries; local tax revenues--in fact the whole economic fabric of many towns, cities, counties, States and regions. All these aspects must be analyzed and quantified if the real economic significance of proposed programs is to be understood both by the farmers themselves and by the general public.

Plan of Work: The foregoing needs will be met by intensification of basic statistical research on the factors affecting the supply, demand, and price of the principal agricultural commodities. This includes a research program in the feed-livestock sector that will integrate analyses of beef cattle, hogs, dairy, poultry, feed grains, and byproduct feeds. This will provide a firmer basis for evaluating proposed feed grain programs, not only in terms of production and price of feed but also in terms of the price and consumption of livestock and dairy products. More specialized aspects of the feed situation will also be studied, such as the influence of high-protein feeds and prepared livestock feeds and the rate of feeding per animal unit. In dairy, more intensive analysis is planned of changes in the demand for fluid milk and of interrelationships between commercial markets and surplus disposal outlets. In the field of fats and oils, efforts will be made to measure the factors which influence the changing competitive positions of cottonseed, soybeans, butter, lard, and other fats and oils. There will be more analysis of the competition between domestic production and imports of textile products as well as the utilization of competing fibers by the domestic textile industry. In tobacco, further analysis will be made of the effects of improved technology throughout the tobacco industry, and more attention will be given to some of the smaller types of tobacco.

2. $90,000 to expand work on estimates of farm income and production and increase other economic research.

Need for Increase: The official USDA estimates on farm income do not include the new States of Hawaii and Alaska nor is data adequate for rural planning based on population and other trends in highly agricultural areas.

The estimate of total U. S. farm income is incomplete. State statistics of farm income are basic indicators of economic growth, and rural development problems, and are the basis of comparisons of farm and nonfarm income within the respective States. There is a large and increasing demand for detailed farm income statistics by States from the Congress and inability to provide these data for the new States of Hawaii and Alaska three years after their admission as States is a serious statistical deficiency.

Adequate plans for rural development must be based on accurate knowledge of population and other trends in the farm areas. Knowledge of the rate of migration, particularly out of low-income areas, is essential in gauging the magnitude of the problem of adjustment over the years ahead. Education and health are two problems which are much more serious for rural than for urban people. Knowledge of deficiencies in education and in health and medical care are essential for the establishment of meaningful program targets for rural areas. This is especially true in the field of education where the curricula have to be designed both for young people who will remain in the local areas, and those who will migrate to the cities and towns.

Plan of Work: With the increase, the Department would assemble basic statistics on production, marketing and prices of the principal farm products, and such information as is available on major items of farm expenditures in Hawaii and Alaska. It will be necessary to conduct surveys in both States to round out the estimates.

Research will include analysis of detailed data from the 1960 Census to determine magnitude of directions of population migration and the extent of the lag in education levels among rural-farm youth. Studies will emphasize the relationship between education attainment and occupational status for rural youth, and comparisons of urban and rural levels of educational attainment. Data from the 1961 Consumer Expenditure Survey are to be used for analysis of the medical care expenditures of farm families with particular attention to the older segment of the rural-farm population.

3. $93,300 to expand research on Common Market trade in farm products and impacts of changes in trading arrangements on U.S. agricultural exports.

Need for Increase: American farmers have become increasingly dependent on foreign markets which now provide outlets for one-fifth of our harvested acreage. Continued expansion of agricultural exports is essential to income improvement for U.S. farmers, and to U.S. balance of payments. One-third of our commercial exports of agricultural products now goes to the Common Market and the future volume will be greatly affected by the Common Market trading arrangements that are evolved.

Trade statistics and analyses provide essential information for evaluating expansion opportunities for U.S. agricultural exports. At present, for example, the monthly and annual statistics, analyses and forecasts of U.S. agricultural exports are used by farm groups, agricultural exporters, public agencies, and others as primary current guides for commercial export operations, export assistance policies and Food for Peace programs. Regular summaries of agricultural exports are currently limited to U.S. agricultural trade statistics.

Information on the agricultural trade of our major competitors with the Common Market is increasingly needed. The Foreign Agricultural Trade reports, prepared by ERS, need to be broadened to include timely analysis of trade with the Common Market with special attention to the agricultural exports of our foreign competitors and the related price and other market factors affecting trade in agricultural products. This information will be appraised in terms of current and potential effects on U.S. exports of farm products.

Effective export programs to meet competition in foreign markets will require research on alternative approaches that might be used to increase exports of farm products. An expanded research program directed toward analyses of potential trading arrangements with the Common Market, including effects of relation of restrictions, is needed to guide U.S. agricultural trade policy and development of programs to maximize U.S. exports. Such analyses can only be developed with more intensive research on the implications of the European Common Market for U.S. agriculture and how farm price and protective policies followed by Common Market countries will affect production and consumption in these countries and thus influence U.S. farm export markets.

Plan of Work: The expanded program of research would include the following segments:

a. Current summaries and analyses of the trade of foreign competitors to the European market. These summaries would provide up-to-date quantitative information on the nature and extent of our export competition in the Common Market, the changes in prices, and in export levies and in other restrictions on trade. These statistical analyses provide information for use under the new Trade Expansion Act to establish trading arrangements more favorable to farm exports. The results would point out to farm groups, private exporters and public agencies the export problems presented by these developments and suggest opportunities for overcoming them.

b. Appraisal of the effects of alternative Common Market arrangements and U.S. export policies that may be developed on (a) U.S. agricultural export earnings, balance of payments and farm programs, (b) incomes and living costs in Common Market, and (c) incomes of U.S. farmers. Research would include research on the interrelated effects of alternative Common Market farm support policies and access arrangements on U.S. exports of wheat, feed grains, oilseeds, broilers and other important farm export products; the possible effects of proposed international agreements on U.S. export potentials and earnings; the implications of prospective levels of farm price supports in EEC countries, Common Market consumer living costs, and farm producer incomes. These studies will provide guidance to U.S. farmers, public agencies and exporters concerning export prospects in the years ahead and an informed basis for deciding how U.S. economic interests can be protected.

4. $110,000 to develop basic information on longer range prospects for foreign supply, demand, and trade in farm products.

Need for Increase: Exports of farm products have increased greatly in recent years and now provide an outlet for one-fifth of U. S. harvested crop acreage. To provide better assurance of continuation of the increasing trend of exports, research must be carried out to discover new growing points in export outlets. Analysis of the long-range market outlook for farm exports is an essential part of our research to provide longer range outlook information for farmers and for all groups concerned with American agriculture.

Analyses of population and consumption trends in relation to agricultural production, country by country, disclose opportunities for developing new markets and for expanding existing markets for U. S. farm products. For example, the Nigeria study indicates a continuing import demand for wheat and a doubling of demand for dried milk in 3 to 4 years.

The Philippine study anticipates significant shifts in the imports of agricultural commodities over the next several years. The Philippines expect to reach self-sufficiency in milled rice, shelled corn, andtobacco; and to shift imports of wheat from flour to grain, and imports of canned meat and meat products to fresh or frozen meat and live animals for food. They expect imports of dairy products to increase significantly over the next 10 years. A shift from imports of cotton products to raw cotton is expected, with raw cotton imports doubling by 1975.

Foreign supply and demand studies are underway in 19 countries that are important or potential export markets. More country studies are needed and all studies must be kept up to date as major changes occur in the supply and demand conditions in each country.

Plan of Work: As the country studies of supply and demand are completed, they need to be analyzed separately and their implications for U. S. agriculture determined. The second step in analysis involves a combination of country studies to assess their total effect on prospective exports of farm products. The third step involves relating prospective exports to domestic market outlets in order to provide consolidated longer range outlook information.

These studies will provide a firmer basis for developing the long-range outlook for U.S. farm exports that can be combined with our domestic outlook analyses into a **longer** range projection of market outlets for farm products. In this way these analyses will help to provide farmers and public agencies with the information needed for adjusting agriculture to changing market conditions.

(d) A reduction of $8,000 to reflect estimated savings due to the installation of a centralized data processing operation (MODE) for payroll and personnel data. An explanation of this reduction is included in the Preface to these Explanatory Notes. This reduction is distributed between activities as follows:

Farm economics	-$4,000
Domestic and foreign economic analysis	-4,000
Total decrease	-8,000

(2) An increase of $352,000 for pay and postal costs pursuant to P.L. 87-793, consisting of:

(a) An increase of $335,000 consisting of $147,000 to provide for full year costs of the first step of the pay increase pursuant to P.L. 87-793 and $188,000 for fiscal year 1964 cost of the additional increase effective January 5, 1964. (An over-all explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1.)

(b) An increase of $17,000 for additional postal costs pursuant to Public Law 87-793. (An over-all explanation of increases for postal costs is included in the Preface to these Explanatory Notes in Volume 1.)

STATUS OF PROGRAM

The economic research programs under this appropriation are directed toward finding answers to current and emerging problems of agricultural production and resource development, marketing and distribution. The work is divided into three financial projects. Current activities, progress, and trends are presented below on the basis of these financial projects.

I. FARM ECONOMICS RESEARCH

Current activities and trends: Farm economics research deals with many and varied economic problems of agricultural production and resource development. The work is concerned with the economics of organization and management of farms, extent and utilization of land and water resources, watershed and river basin development, use of capital and labor in agriculture, production and conservation practices, adjustments in production and resource use, economic development of depressed rural areas, farm financial problems of credit, insurance, and taxation, and appraisal of alternative production policies and programs.

Rapid technological change in agriculture and the tendency for farm production to outstrip growing demands for products gives rise to continued need for economic adjustments in our farm economy. Farms are decreasing in number and increasing in size and degree of specialization. Farm machinery, fertilizers, and other innovations, are substituting for land and labor. These trends, along with continued concern over the use, development and conservation of the Nation's land and water resources, and with growing concern over income opportunities and other problems of rural people, especially those in chronically depressed areas, challenge the most rigorous research in the field of farm economics. Results of farm economic research are used widely as aids in management decisions at the farm, area, watershed, regional, State, river basin, and national levels.

The Department's program of research and related statistical reporting in farm economics is conducted from headquarters in Washington, D.C, and is concerned chiefly with problems of regional and national scope. Field studies generally are conducted in cooperation with State Experiment Stations and often in cooperation with other Federal agencies. When studies are made jointly by Federal and State workers, Federal people usually are most interested in regional and national applications of results, while State workers are most often interested in local applications. Close-working relationships between Federal and State agencies have long been traditional in this field.

Selected examples of recent progress:

1. Farm output and productivity. Preliminary estimates of farm output in 1962 indicate that it may equal the 1961 level, 6 percent above the 1957-59 average (fig. 1). Both crop production and livestock production in 1962 indicate continuation of the 1961 level of production. Crop production is nearly 2 percent below the 1960 record. Production of food grains declined 8 percent from 1961 and 3 percent from the 1957-59 average. Feed grains increased one percent, chiefly due to record corn yields. Cropland used for crops is at the lowest level of record. However, crop production per acre is at a new peak. Livestock production in 1962 remains at the record high set in 1961, 7 percent

above the 1957-59 average. The number of animal breeding units increased 2 percent, offsetting a slight decline in livestock production per breeding unit.

Total inputs used in agriculture in 1962 is unchanged from last year. The reduction in labor was offset by increased use of other inputs. Labor used on farms reached a new low of 9.3 billion man-hours in 1962. Nearly 40 percent less labor was required to produce the record-equaling output in 1962 than was used in 1950. Farm output per unit of input in 1962 continued at the record 1961 level. Labor productivity in 1962 was at a new high, with farm output per man-hour about 3 percent higher than in 1961. This was a little less than the average rate of increase during the last decade.

2. Farm debt rise continues. Both farm mortgage debt and other farm debt (excluding Commodity Credit Corporation loans) have risen this year at about the same rate as in 1961 (fig. 2). The continuing improved level of farm income, the slightly higher production costs, and the continuing enlargement of farms are factors in the further debt increase.

Farm debt on January 1, 1963 (including CCC loans) is expected to total about $29 billion. If farm real estate values increase as anticipated, this amount of debt would be equal to about 13.7 percent of farm assets, slightly higher than a year ago, and about half-way between the 1940 ratio of 18.9 percent and the 1950 ratio of 9.5 percent. Repayments on farm mortgage loans, and most other available indicators of the condition of farm loans, have remained favorable in 1962. As in the past few years, farm forclosures have continued at a very low level.

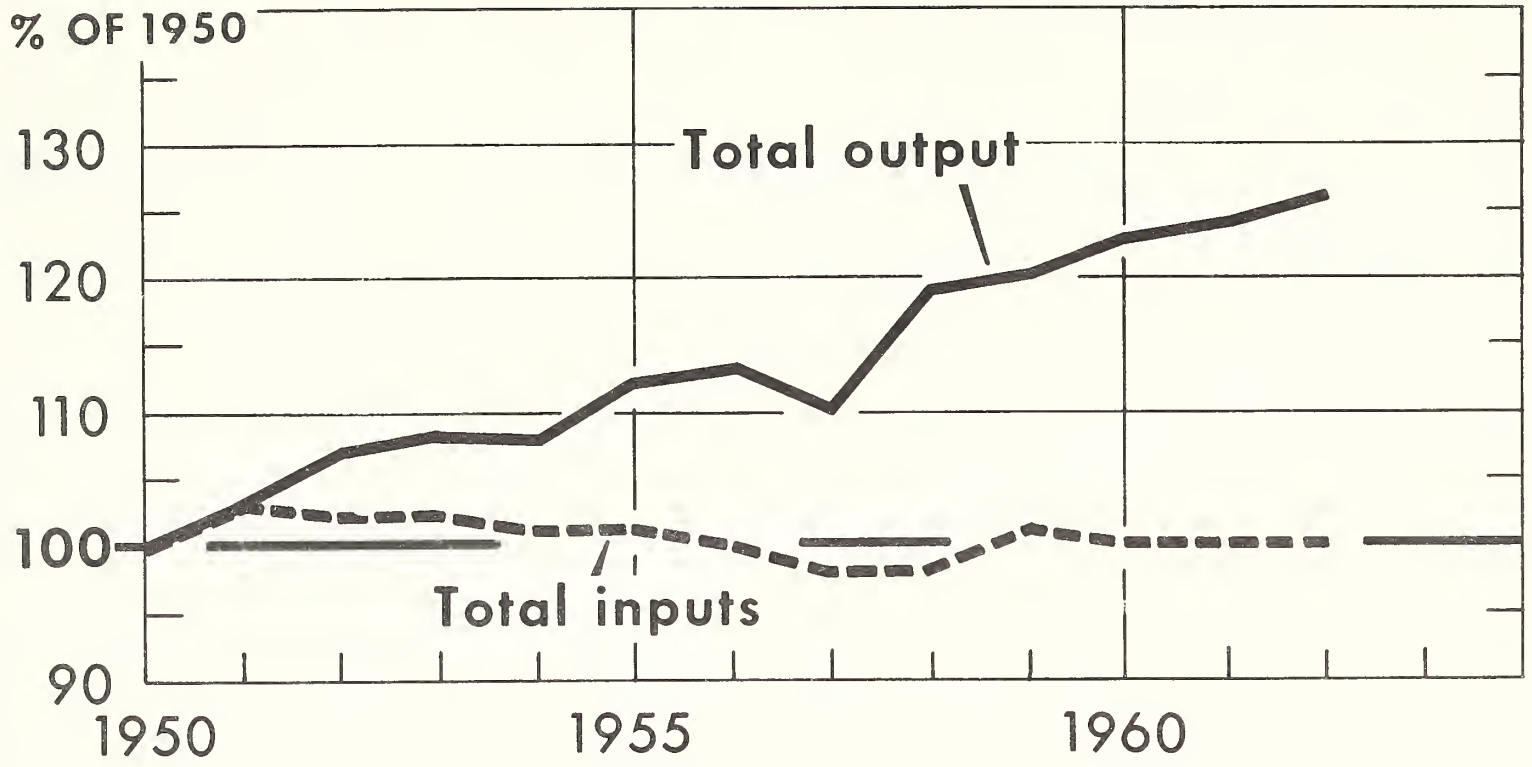
One notable development this year is the sharp increase in Farmers Home Administration lending, both direct and insured. This reflects an increase in loans for rural nonfarm housing under broadened authority, as well as an expansion in FHA lending to farmers. However, the FHA will probably hold or have insured only about 6 percent of the total farm debt as of the end of 1962.

3. Variation in net income among types of farms. Preliminary estimates show wide variation in production, costs and returns for 1962 on 11 important types of commercial farms in widely separated areas. Net returns for 1962 varied from an average of $2,661 per farm on egg-producing farms in New Jersey to $12,583 on cattle ranches in the Intermountain region (Table 1). Net returns in 1962 were higher than in 1961 on 4 of the farm types, lower on 6 types, and about the same on 1 type of farm.

Changes in prices received and the impact of weather on farm production were the most common factors contributing to changes in net farm income from 1961 to 1962. The farms with higher returns in 1962 also had higher net farm production and received higher prices for products sold. On the 7 farm types with lower net farm income in 1962 compared with a year earlier, net farm production was lower on 6. Prices received for products sold averaged lower in 1962 on 4 farm types, higher on 2 types, and the same on 1.

Estimates on costs and returns have been completed for 1961 and earlier years for 39 important types of commercial farms. Net farm incomes averaged higher in 1961 than in 1960 on 27 of these farm types. They were lower on 7 types of farms and about the same on 5. Returns were higher in 1961 on dairy farms in the Midwest and Northeast, Corn Belt farms, western cattle ranches, tobacco farms in the Coastal Plain of North Carolina, and tobacco-

Total Farm Output Rises; Inputs Relatively Stable



1962 DATA PRELIMINARY

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 361-62 (12) ECONOMIC RESEARCH SERVICE

FIG. 1

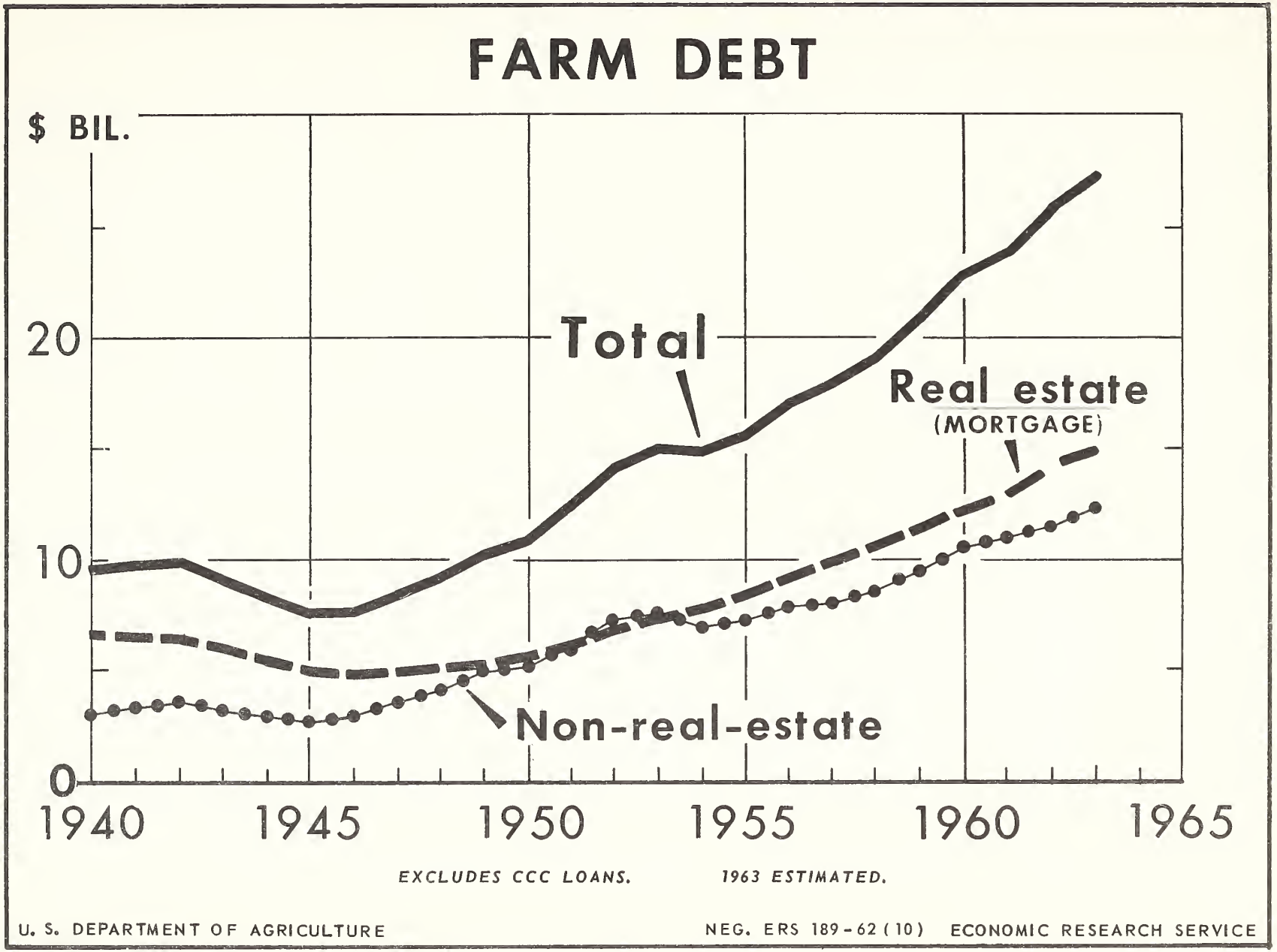

FARM DEBT
$ BIL.
20
10
0
Total
Real estate
(MORTGAGE)
Non-real-estate
1940
1945
1950
1955
1960
1965
EXCLUDES CCC LOANS.
1963 ESTIMATED.
U. S. DEPARTMENT OF AGRICULTURE
NEG. ERS 189-62 (10) ECONOMIC RESEARCH SERVICE

FIG. 2

Table 1.--Net farm income, specified types of commercial farms, 1961, with comparisons

Type and location of farm	Average		1960	1961 1/	1962 2/
	1947-49	1957-59			
	Dollars	Dollars	Dollars	Dollars	Dollars
Dairy farms:					
Central Northeast	3,844	4,299	4,234	4,590	2,810
Eastern Wisconsin:					
Grade A	3/	5,317	5,858	6,938	
Grade B	2,840	2,536	2,799	3,467	
Western Wisconsin, Grade B	2,810	3,391	3,636	4,360	
Dairy-hog farms, Southeastern Minnesota	3,933	3,960	3,552	4,490	
Corn Belt farms:					
Hog-dairy	5,386	5,802	4,807	5,970	5,395
Hog fattening--beef raising	3,598	3,974	3,225	4,040	3,615
Hog-beef fattening	10,343	8,090	5,857	7,395	10,185
Cash grain	8,802	6,706	7,671	8,995	9,060
Poultry farms:					
New Jersey, egg-production 4/	6,349	1,742	5,158	4,673	2,661
Delmarva, broilers	3/	3,790	5,614	5,365	
Cotton farms:					
Southern Piedmont	1,570	2,194	1,894	2,671	
Mississippi Delta:					
Small	1,923	1,667	1,737	1,993	
Large-scale	20,448	20,268	24,476	30,379	
Texas:					
Black Prairie	3,089	4/ 2,927	2,878	3,502	3,524
High Plains (nonirrigated)	6,402	7,503	9,091	13,328	
High Plains (irrigated)	10,767	14,227	14,118	22,447	
San Joaquin Valley, Calif. (irrigated):					
Cotton-specialty crop	32,324	32,877	40,041	16,324	
Cotton-general crop (medium-sized)	21,431	27,517	26,172	25,826	
Cotton-general crop (large)	59,581	85,025	79,405	80,904	
Peanut-cotton farms, Southern Coastal Plains	2,315	2,719	3,218	3,981	
Tobacco farms:					
North Carolina Coastal Plain:					
Tobacco-cotton (medium-sized)	3,208	2,770	3,491	3,864	3,416
Tobacco-cotton (large)	3,925	3,543	4,718	5,275	
Tobacco (small)	2,355	2,314	3,010	3,234	

Table 1.--Net farm income, specified types of commercial farms, 1961, with comparisons--Continued

Type and location of farm	Average		1960	1961 1/	1962 2/
	1947-49	1957-59			
	Dollars	Dollars	Dollars	Dollars	Dollars
Tobacco farms--continued					
Kentucky Bluegrass:					
Tobacco-livestock, Inner area	5,864	4/ 7,111	7,318	7,451	
Tobacco-dairy, Intermediate area	2,390	2,515	2,494	2,909	
Tobacco-dairy, Outer area	3,599	4,547	4,657	5,122	
Spring wheat farms:					
Northern Plains:					
Wheat-small grain-livestock	6,139	4,405	5,099	350	5,192
Wheat-corn-livestock	5,878	5,073	5,674	5,753	
Wheat-roughage-livestock	5,205	3,702	5,559	1,423	
Winter wheat farms:					
Southern Plains:					
Wheat	9,805	9,135	10,666	10,619	9,663
Wheat-grain sorghum	9,206	8,841	12,161	12,195	
Pacific Northwest:					
Wheat-pea	11,998	13,500	11,136	11,434	
Wheat-fallow	13,471	4/ 15,797	11,868	11,940	
Cattle ranches:					
Northern Plains	6,268	5,249	4,980	6,277	
Intermountain Region	8,635	11,409	8,711	10,028	12,583
Southwest	5,603	7,519	7,475	8,167	
Sheep ranches:					
Northern Plains	6,765	10,803	8,031	6,831	
Southwest	5,199	9,710	10,121	8,652	

1/ Preliminary. 2/ Tentative estimate - Nov. 1962. 3/ Not available. 4/ Revised.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

livestock farms in the Bluegrass area of Kentucky. They were lower on poultry farms and western sheep ranches.

Changes in net farm income were substantial on most of the farms. Increases from 1960 to 1961 on 12 of the farm types were more than 20 percent. Decreases were more than 50 percent on 3 types of farms.

Over the long run, variations in net returns are the result of changes in prices, production, and production efficiency. In 1957-59, 21 of 37 farm types had higher returns than a decade earlier (1947-49). All of these 21 farm types had higher production and greater production efficiency than a decade earlier, and 5 also received higher prices for products sold. Prices paid for production items averaged higher on all farm types in 1957-59.

4. Mixed trends develop in farm real estate values. Changes in land values showed no definite trend in the northeast and north central portions of the country in the 4 months ended July 1, 1962. However, values continued upward in the southeast and south central regions, and the increases in these States were sufficient to raise the national average 2 percent above the March 1, 1962 level. The index for the 48 contiguous States advanced to 186 (1947-49 = 100), 5 percent above July 1961. Increases for the latest 12-month period in the southern portion of the country were generally twice those reported in the northern portion (fig. 3). These regional patterns are about the same as in the preceding 4-and 12-month periods ended March 1, 1962.

5. Projected land and water requirements. A study of land and water resource requirements indicates that food and fiber requirements in 1980 could be met with 407 million acres of cropland, or about 50 million acres less than we had in 1959. This acreage would be available for meeting growing needs for grassland pasture, urban expansion, and other special-purpose uses. The projections are based on certain assumptions with respect to levels and trends in population growth, economic activity, technology, yields, imports and exports, and the needs of the various competing uses.

Agriculture is expected to continue as the predominant consumptive user of water well beyond 1980. Acreage irrigated by 1980 would be expected to increase by about a fourth over 1960, and irrigation withdrawals and consumption by about a fifth. The conservation and economic management of water in agricultural uses appears critical for the balanced growth of the economy.

6. Recreation investigations. Research shows that expansion of recreation and and tourism in a 31-county area of the Missouri Ozarks has resulted in significant employment and income opportunities for rural people. By 1970 it is estimated that tourist spending will increase to about $125 million. If this increase comes about, tourist expenditures may represent 40 percent of the gross sales of all retail and service firms in the area. It is likely that such expenditures will be greater than the value of all locally grown farm products.

Such extensive recreation development is encouraging for rural people. Over 60 percent of the retail and service businesses in the area associated with recreation were operated by people born in the Ozarks. About 97 percent of the people employed in the tourist trade resided in the county in which they were working,

and had lived there before their present employment. This kind of employment utilizes very well those persons that would have difficulty in finding employment in industry or elsewhere because of advanced age or lack of education and training. At the same time, a large recreational complex such as the Missouri Ozarks helps to make better use of resources, to maintain opportunity for persons in the area, and to encourage economic growth.

7. Taxes continue up. Farm real estate taxes in the 50 States totaled $1,329 million in 1961, an increase of 6.3 percent from the amount levied in 1960. This rise extends an uptrend that has been uninterrupted since 1942. Levies in 1961, at $1.30 per acre, averaged more than three times those of 1942 (fig. 4).

In 1961, real estate taxes absorbed 8.6 percent of the total net farm income, before deduction of real estate taxes and net rent paid to nonfarm landlords. This was a slight reduction from 1960, attributable to the rise in net farm income. In 1952-54, the proportion was 5.3 percent; in 1947-49, 3.9 percent; and in 1937-41, 6.8 percent. Although taxes as a percentage of net income are higher today than in any of these periods, they are still far below the levels of the early 1930's when they reached an all-time high of 18 percent of net farm income.

8. Rural government and taxation. With taxes continuing to press more heavily on farmers, cooperative research has been undertaken with the State Experiment Stations to provide needed guides for constructive action.

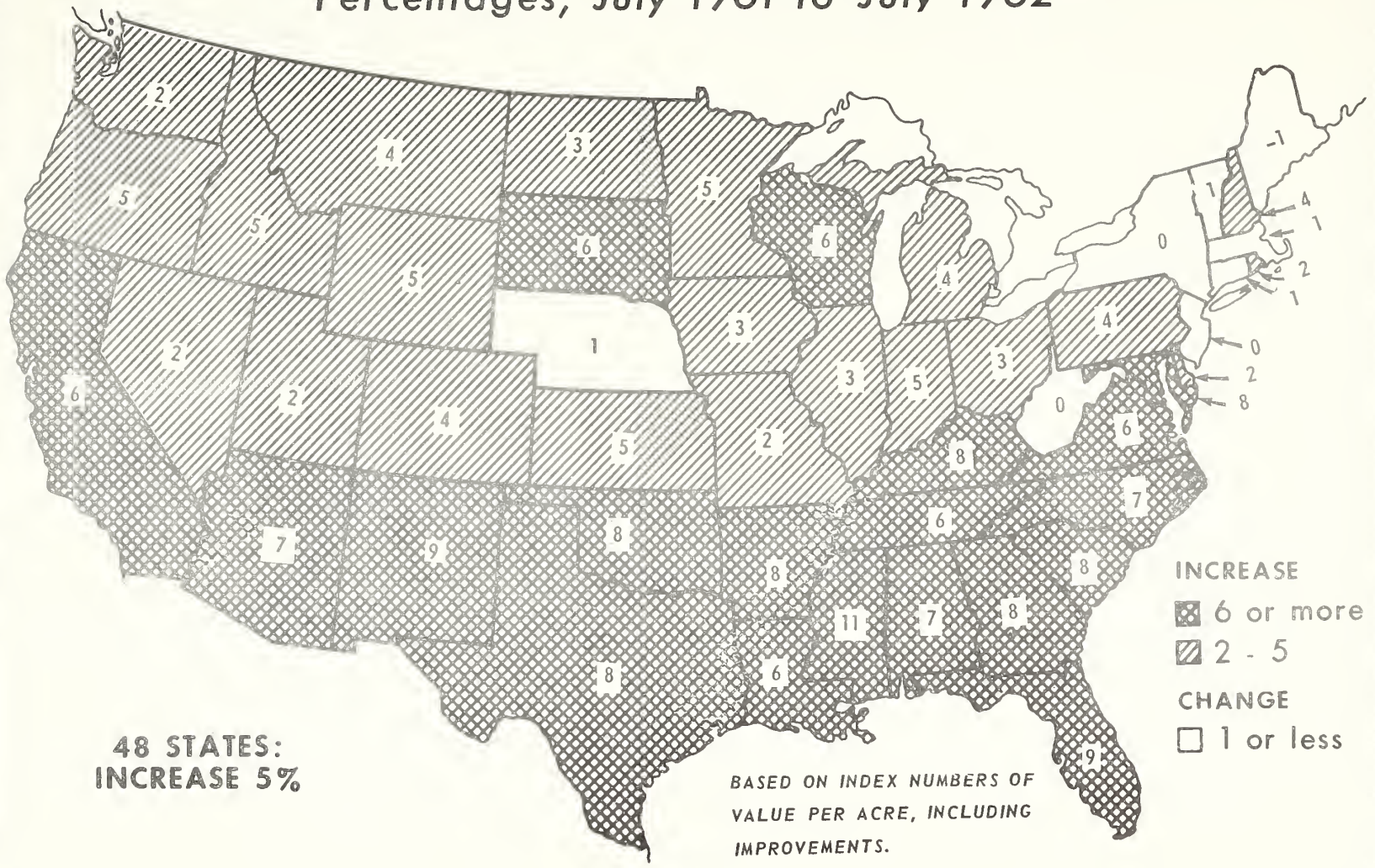
An analysis of State and local tax systems in the Great Plains showed that while the total tax load in the 10 States in this region is not particularly heavy compared to the rest of the Nation, it is heavily weighted with the property tax. This tax falls particularly heavily on agriculture. Sales and income taxes are generally lower than elsewhere. The relatively heavy property tax, especially in the 7 Northern Plains States, may also impede their economic development.

Study of a rural Michigan township in the path of urbanization indicated that farmers, although in position to induce local action, seemed to have little awareness of the pace of urbanization or of problems that urbanization would bring. These findings suggest the need for more research and improved information programs for rural people, and underscore the opportunities that exist for constructive action by rural local governments.

9. New developments in rural zoning. A survey of rural zoning developments indicate that the 50 States have conferred zoning powers on rural governmental units in three-fourths of the 3,000 counties. New exclusive-type farm zoning districts, initially developed in California and now used in nine States, permit only agriculture and a few supporting activities, and require minimum tracts from 5 to 60 acres. New recreational districts in which agriculture is a desirable secondary use are found in many States. New watershed zoning districts protect mountainous and hilly lands from fire, erosion, soil compaction, pollution, and spoilation of scenic values. Recently developed floodway zones and flood plain zones limit use to agriculture, recreation, and activities not subject to major flood damage. Erection of buildings or other structures requires approval of location and design.

CHANGE IN DOLLAR VALUE OF FARMLAND

Percentages, July 1961 to July 1962

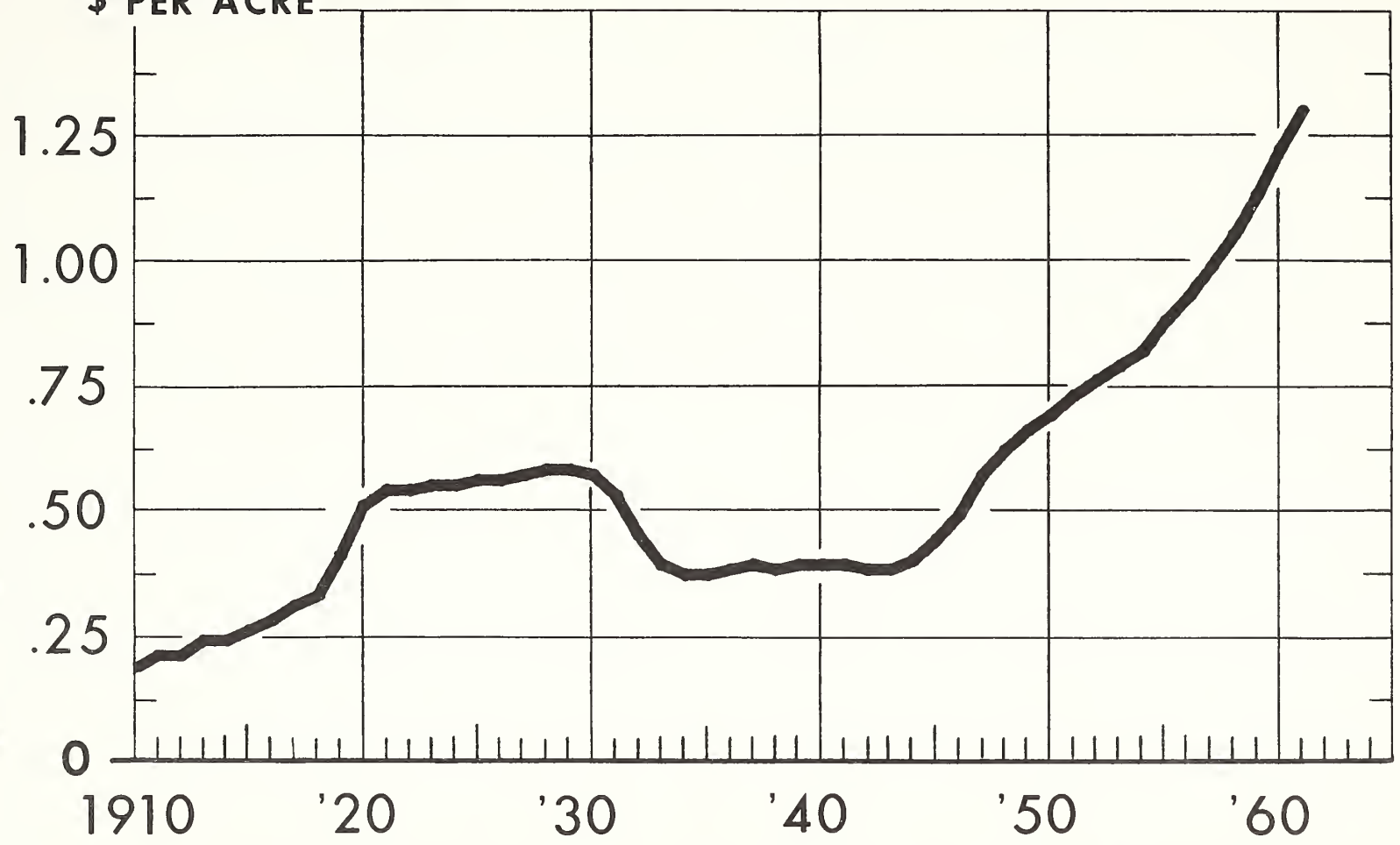


U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 1442-62 (9) ECONOMIC RESEARCH SERVICE

FIG. 3

FARM REAL ESTATE TAXES*



DATA ARE FOR YEAR OF LEVY.

*1960 AND 1961 INCLUDES ALASKA AND HAWAII.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 1475-62(12) ECONOMIC RESEARCH SERVICE

FIG. 4

Conservation zoning districts, a new term, may enclose either watersheds, flood plains, or both. Their regulations resemble those of watershed and flood plain zones. New open-space zoning districts provide permanent open space or protect natural watercourses. Historic zoning districts now preserve and protect historic buildings and places in 9 States.

10. Sizes of farms. In a study, of sizes of farm businesses necessary to obtain four levels of operator cash earnings ranging from $2,500 to $5,500, 8 types of farm were budgeted in 15 selected areas. The budgets describe resource requirements for efficiently organized farms making full use of improved practices and available technology at 1959 cost rates and prospective prices. The budgets, which characterize rather closely the more progressive and adequate-size farms in agriculture, do not necessarily describe current production and income relationships on average farms.

Two findings are especially significant: (a) The amount of gross farm sales required for operator cash earnings of $2,500 a year averages $13,400 on the 15 budgeted farms. Operator cash earnings of $5,500 are associated, on the average, with gross sales of about $26,800. Gross sales of farms budgeted for $2,500 operator earnings range from $9,275 on the Southeastern Minnesota dairy farm to $26,450 on the cotton-wheat farm in the rolling plains area of Oklahoma. Throughout the $2,500 to $5,500 range of operator earnings on the budgeted farms, an average of approximately $5 gross sales is associated with each $1 of operator earnings. This relationship constitutes a strong incentive for the rapid shifts that are occurring in the size of farms throughout the Nation's agriculture. Farms with $10,000 or more of gross sales are expanding in number, while smaller farms are rapidly decreasing.

(b) The average total capital investment in real estate, livestock and machinery needed to obtain operator earnings to $2,500 was $57,000; for $5,500 operator earnings, $111,000. Returns to capital on the budgeted farms, as measured by a capital charge calculated as 5 percent of the total investment, approach or exceed in some instances, the operator's labor and management earnings.

11. The farmland price puzzle. Market values of farm real estate have advanced almost steadily since the end of the Korean outbreak without corresponding support from net farm income. As a result, the average value of farm real estate has advanced to about 10 times net income in 1959-61, compared with about 5.6 times income in 1950-54. The imputed rate of return on current market values remains below the rate of interest on farm mortgages, although the rate of return has increased each year from 1959 through 1961. Nearly $50 billion has been added to the apparent capital value in agriculture, despite essentially constant net returns to the industry.

Some of the major factors that have contributed to the rise in farmland values appear to be:

a. Land prices have responded to general inflation. Land values have increased about a third more than the general price level, but substantially less than common stocks. Total returns to land from both annual earnings and capital appreciation averaged about 8 percent a year in the 1950-54 period but somewhat less in 1955-60. Farm real estate also has yielded other kinds of return in the form of tax savings and intangibles such as the satisfaction of ownership.

b. Population growth creates a scarcity value for land. The rapid increase in population since the end of World War II has strengthened the belief that land prices will continue to rise over the long term. Projections of land requirements indicate no likely shortage of land for some time to come for the production of food and fiber. Rapid strides in technology have increased the economic supply of land substantially. However, nonagricultural uses of land are likely to increase.

c. Increased returns from technology have been capitalized into land values. Many farms have an excess supply of nonland inputs such as machinery and operator labor which they can profitably utilize by operating more land. Also, the optimum size of farm under present levels of technology is substantially higher than the majority of farms in most areas. As a result, the demand for additional land by established operators has helped to bid up land prices.

12. Part-time farming attractive to farm families. Studies of part-time farming in Michigan and other States reveal several facts that continue to make it attractive to farm families in better as well as in poorer farming areas. Higher and steadier incomes are usually the primary aims reported by farmers who take off-farm jobs. Part-time farming as practiced in most areas is not as efficient in the use of farm resources as full-time farm operations. The need for recombination of small acreages into more efficient full-time farming may be slowed up or even deterred when considerable numbers of farmers take off-farm jobs, because the part-time operator continues to hold onto his land.

13. Appraisal of the 1961 feed grain program. A study of about 600 participants in the 1961 feed grain program, and of 600 nonparticipants, in Ohio, Minnesota, Iowa, Kansas, and Texas showed that farms in the program were larger than other farms in their respective areas, had a higher proportion of land in crops, had a larger proportion of total cropland in feed grain, and prior to 1961 used more of their cropland for such high value crops as corn, grain sorghum, soybeans, and wheat. Participants had fewer livestock than nonparticipants. Little evidence was found of any difference in the productivity of cropland on farms in the program compared with those not in the program. The increase from 1960 to 1961 in the amount of fertilized used per acre of corn generally was about the same for participants and nonparticipants.

Compared with nonparticipants, participants were younger, had occupied their farms for a shorter time, and more of them had off-farm incomes. There was little difference in the amount of family labor available or in the sources of off-farm incomes, although a slightly larger proportion of nonparticipants had incomes from pensions, social security, and the like. The reasons given most frequently by farmers for participation were that participation was more profitable, it would improve (or rest) the land, it helped to reduce surpluses, reduce risk, or reduce costs. Reasons given most frequently for staying out of the program included a belief that incomes would be higher, opposition to all government programs, inadequate understanding of the program, or dissatisfaction with program provisions.

II. MARKETING ECONOMICS RESEARCH

Current activities and trends: Research in Marketing Economics embraces all aspects of economics in marketing farm products from the time they leave the

farm until they are purchased by ultimate consumers. The research includes such things as farmers' bargaining power; the economics of product quality and grade; market potentials for new products and new uses; market structure and practices; marketing costs and margins; economic effects of special programs such as school lunch, special milk, food stamp and direct distribution; and the effectiveness of merchandising and promotion in increasing the demand for farm products.

Consumer expenditures for domestically-produced food and food services in the United States total more than 60 billion dollars annually. The equivalent value of farm products in nonfood uses is estimated at least at an additional $30 billion. Three fourths of these values are added in marketing--in transporting, storing, packing, handling, risk taking, processing, and distributing.

Marketing economics research deals with this 75 percent or so of the consumer's dollar spent for food, natural fiber, tobacco, and industrial products derived from domestic farming. It also deals with economic aspects of the competition from fish and imported foods, synthetic fibers, and other chemical and industrial materials of nonfarm origin in traditional agricultural markets.

The marketing economics research program of the U. S. Department of Agriculture is carried out directly and in cooperation with the State Agricultural Ecperiment Stations, with processors and distributors of agricultural products, transportation agencies, and, to a limited extent, with associations of farmers and other groups. Research is directed primarily toward solution of problems of regional and national scope.

Selected examples of recent progress

1. Federal lamb grades study completed. In response to a request from the House Committee on Agriculture, a study of the effects of the 1960 change in Federal grades for lamb and the role of Federal grades for lamb in general was initiated. (The first report of this study was published by the House of Representatives in March 1962). No support was found for the view expressed by certain industry groups in 1959 that Federal lamb grades were hurting rather than helping producers. The 1958-1961 lamb price decline was principally caused by the high levels of production of lamb and substitute meats. There is no evidence that Federal grades were a factor. On the contrary, their impact on lamb marketing is important and positive. They promote competition by helping the small firms compete with the large. They lower marketing costs. They help encourage production of desirable types of lambs. They help consumers consistently find the kind of lamb they prefer.

The revised lamb grades have been favorably received by the industry. Forty-four percent of total commercial lamb slaughter was Federally graded in 1961; only 35 percent was graded in 1959. Total commercial slaughter increased 12 percent during this period, indicating a strengthened industry demand for Federal lamb grades.

2. Some cotton marketing practices adversely affect use values of cotton. Analyses of effects of marketing practices and cotton grades on qualities of cotton yarn produced reveal that higher grades of cotton resulting from excessive cleaning at gins frequently produce cotton yarns of lower average

quality in appearance and strength than do lower grades of cotton. Certain ginning practices, especially excessive drying and lint cleaning, often necessary to improve the grade of cotton, actually damage cotton fibers so much that top quality yarns cannot be produced and mill operating costs go up. As a result, present price differentials among raw cotton grades may be too high and may be encouraging undesirable production and marketing practices and damaging the competitive position of cottons in testile product markets. On the other hand, spinning tests indicate that average staple length and length distribution may be more important factors in producing high quality yarns than most mill operators appear to realize. Hence, premiums now paid growers for longer staples may not cover the full value of this fiber attribute to mills.

The value to cotton growers of more than one lint cleaning operation in ginning cotton is seriously in doubt except for the lower grades of cotton. Subjecting cotton grading Middling or better to any lint cleaning usually does not improve the grade enough to offset losses in weight from cleaning and the higher costs of extra cleaning.

3. Total marketing costs rise - unit marketing costs stable. Studies of price spreads and marketing costs for food, cotton, and tobacco were continued and findings were published regularly. The spread between the retail-store cost and farm value of the annual market basket of farm-originated foods averaged $656 in 1962, about the same as in 1961. 1962 is the first year since 1950 that the spread has not increased. The farm value and retail cost of the market basket were up slightly (fig. 5).

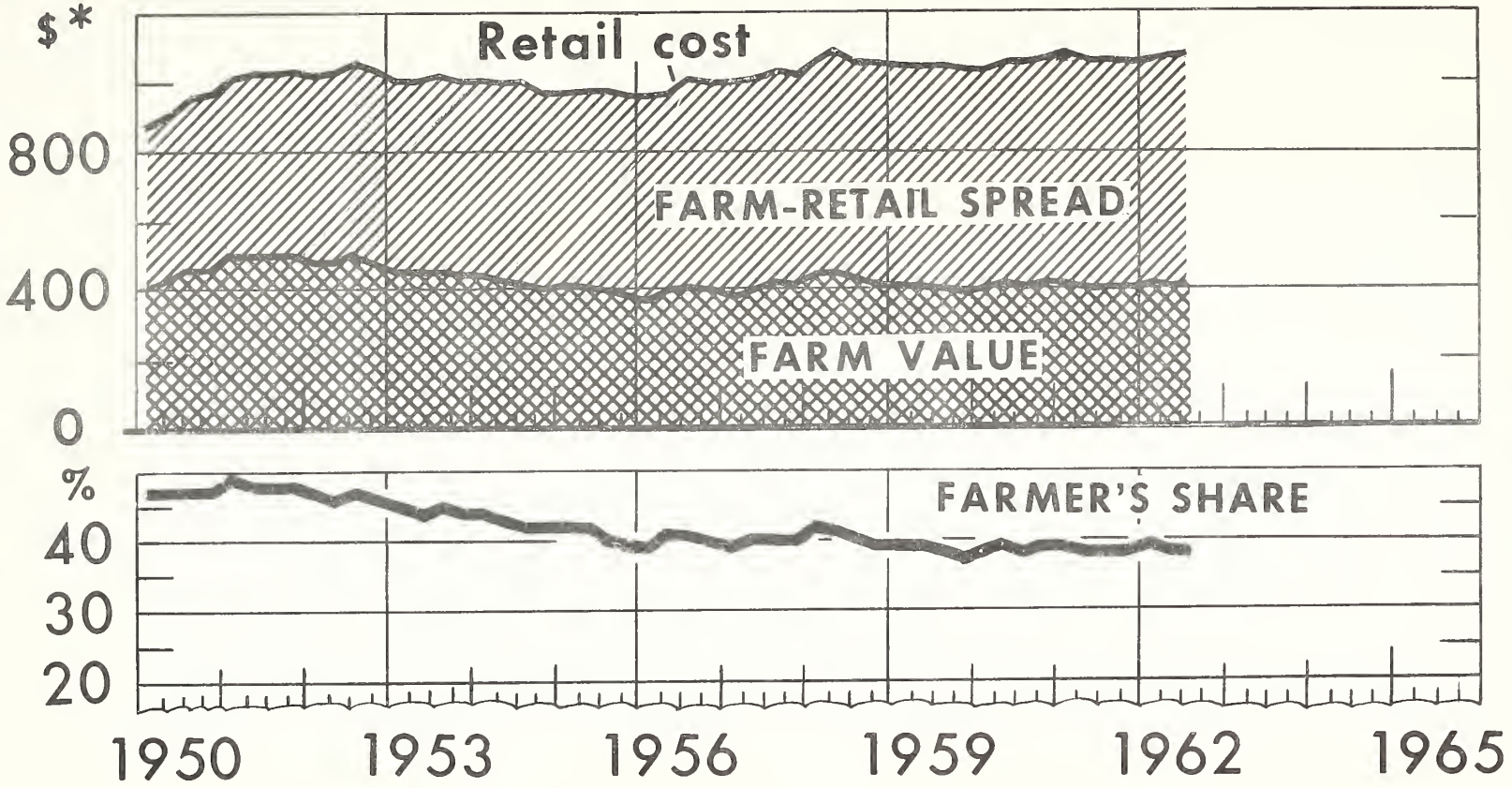
The total bill for marketing domestic farm-originated food products to civilian consumers in this country in 1962 was estimated at $41.9 billion (preliminary estimate), $0.5 billion higher than in 1961 (fig. 6). This rise--the smallest since 1951--resulted mainly from an increase in the volume of products handled. Farmers received $21.3 billion from these foods, about $0.5 billion more than in 1961, and the cost to consumers was $63.2 billion, up $1.0 billion from the previous year.

A new index was constructed during 1962 showing quarterly changes in prices of intermediate goods and services used by food marketing firms. Prices of these goods and services averaged 39 percent higher in the first half of 1962 than in 1947-49. This index will aid in analyzing trends in the food marketing bill.

Special studies were made of marketing spreads for a number of individual products in 1962. The farm-retail spread for bread, one of the products studied, has increased in each of the last 15 years. This increase resulted mainly from the steady climb in the baker-wholesaler margin, traceable to increases in bread distribution costs and costly competitive practices.

Another study shows that convenience foods are having little effect on food marketing costs and retail food prices. For each $100 spent in grocery stores for food, $14.03 was spent for convenience items. The cost of duplicating convenience foods with fresh or homemade foods, in the quantities purchased by housewives, would have been $15.10 or $1.07 more than the convenience foods, not including any charge for the housewife's time in food preparation. Such a favorable cost differential for convenience foods is due in part to economies resulting from processing foods in volume. Also, savings in handling, transporting, and storage of foods with reduced perishability and bulk, in many instances, more than offset added costs of processing.

Marketing Spread Accounts for Rise in Retail Prices Since 1950

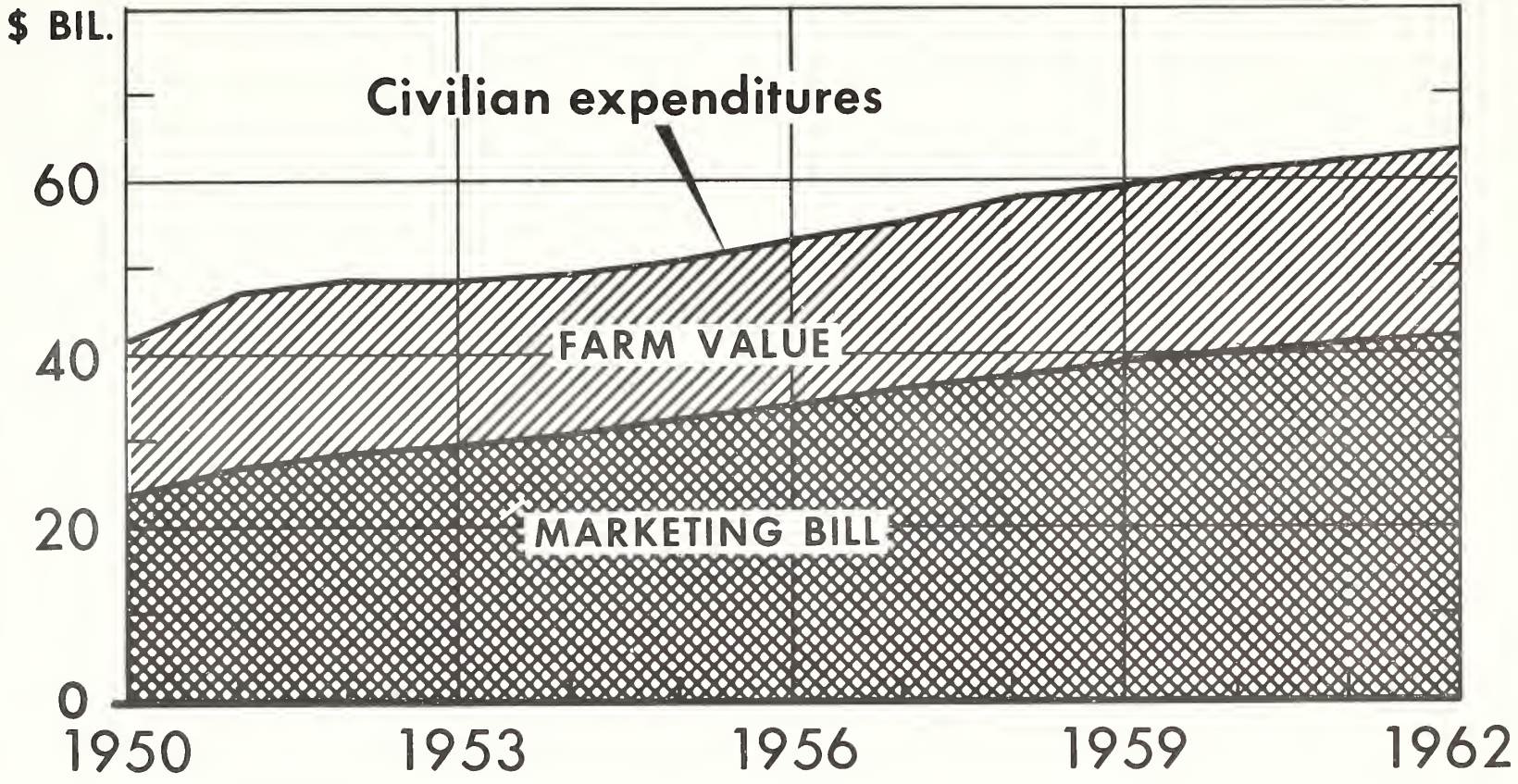


*ANNUAL RATE. DATA FOR 1962 PRELIMINARY.
DATA ARE FOR MARKET BASKET OF FARM FOODS CONTAINING AVERAGE 1952 PURCHASES BY URBAN FAMILIES.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 1273X-62 (12) ECONOMIC RESEARCH SERVICE

FIG. 5

Small Rise in Marketing Bill



DOMESTIC FARM FOODS BOUGHT BY CIVILIANS IN THE UNITED STATES. *1962 PRELIMINARY*

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 411-62 (8) ECONOMIC RESEARCH SERVICE

FIG. 6

4. Wide use of research findings on price spreads. A growing effort is being made to inform the non-farm public of the facts concerning changes in the retail prices of food. During the year the Department distributed more than one-million sheets that summarize the information directly to consumers at food stores through the cooperation of retail food companies. The information shows that retail food prices have increased less than consumer prices in general and that the increase in food prices which has occurred has been due to increases in marketing costs and not to increases in the farm prices of food (fig. 5). The Department provided information for leaflets, television and radio presentations that has been used widely by many local groups. The theme "Food Is a Bargain" based on the facts developed by the Department has been employed extensively in newspaper and magazine articles and editorials, in speeches by spokesmen for the food industry, and advertisements and leaflets developed by private firms and trade associations.

5. Transportation research expanded. Progress has been made in measuring the volume and kind of exempt farm products hauled by motor carrier and in determining the business practices, rates, and operating costs of these carriers. Preliminary results indicate that exempt motor carriers' operating costs are probably less than common carrier costs, that the rates charged generate revenues which average more than enough to meet essential operating costs, and that the rates charged shippers for transporting exempt commodities are relatively stable but they do vary in response to supply and demand for unusual services at particular times and places. Carriers of exempt commodities provide adequate and flexible service to meet the needs of seasonably produced and perishable agricultural commodities. This information is of particular timely value because of the interest being taken in changes proposed for the Nation's transportation system as a result of the President's message on transportation to the 87th Congress.

Attention also is being given to the economic consequences of the St. Lawrence Seaway. Improvements in the Seaway have reduced shipping costs on agricultural products and have enabled U. S. farmers to increase sales of grain in foreign markets. However, growth in Seaway traffic has been below expectations. This rate must rise if total traffic is to reach the planned goals of 50 million tons a year by 1968 on the Seaway and 60 million tons on the Welland Canal. The respective 1959-61 averages are 21 million tons and 29 million tons. The rate of future expansion will depend on factors such as U. S. and Common Market trade policies, developments in other industries, particularly in the Great Lakes iron and steel industry, and the supply and price of agricultural products available for export.

6. **Processing plants location in rural areas.** Substantially increased attention is being given to appraisals of the economic feasibility of various types of off-farm employment opportunities in low-income rural areas. For example, a study is now underway concerning the feasibility of establishing several kinds of agricultural processing plants in Alaska. Another study concerning the economic basis for constructing a wool scouring plant in a producing area has been completed. The need for properly blending wool before scouring was pointed out as an important difficulty which the proposed plant would face. An additional investigation concerning the establishing of new livestock slaughtering plants in the Southeast indicated that in many instances an expansion in slaughter at existing plants would be a more economical way to handle larger numbers of animals. Other studies concerned the pelleting of hay, a new plant for the production of corn oil and related

products, and several relating to the processing of various fruits and vegetables.

7. Industrial possibilities of new crops examined. Physical science research in other department agencies and economic evaluations by Economic Research Service are uncovering market possibilities for new crops not now grown on a commercial scale. Some of these may prove to be better alternatives for some farmers who presently are growing grains, cotton, or other surplus products. For example, physical science research has shown that seed of a new potential crop called Indian ironweed contains an oil that is important in the production of plastics. Recent economic investigations indicate that a large potential market (35 million pounds or more per year) exists for such oil at prices which could enable the profitable production of Indian ironweed in certain areas of the country. In fact, research toward early commercial adaptation of this crop is now being urged by potential industrial users. Recent investigations also indicate commercial possibilities for other new annual cash crops, such as vegetable gum crops, to reduce our dependence on imported materials, and annual crops for use as paper pulp raw materials.

8. Lower marketing margins prospects for bread. A study of the baking industry completed during the past year shows that technological improvements such as oven firing, automatic handling and continuous dough mixing make possible significant reductions in the cost of producing bread. To fully realize such economics the volume of output per plant needs to be increased. Thus it was determined that plants producing 2,000 pounds of bread per hour with standard equipment and operating 36 hours a week might have production costs of between 11 and 12 cents per pound loaf whereas bakeries producing 8000 pounds per hour, using improved equipment and operating 108 hours per week might expect costs of between 6¢ and 7¢ per pound loaf. It also was discovered that economies in distribution can be achieved with possible savings of 3¢ to 4¢ per pound loaf. Such economies may explain the activity of some of the food chains in acquiring their own baking plants or arranging longer-term purchase commitments with particular suppliers. Some of these organizations have reduced retail prices of bread by as much as 5¢ per pound loaf below the U. S. average.

9. Marketing apples in new form found economically feasible. The commercial possibilities of dehydrofrozen apple slices appear to be excellent in the baking industry. Dehydrofrozen apples, with 50 percent of the weight and volume removed, compare favorably in quality with regularly frozen apples, yet incorporate some of the economic advantages of dehydrated products, such as savings in handling and shipping costs. Extensive field surveys, were conducted during the year with bakers, brokers and fruit processors. Favorable baker reaction was found, especially in large and extra large institutional and wholesale bakery operations where savings in transportation and storage are substantial. Today, there are at least eight commercial processors of dehydrofrozen apple slices, and others are investigating the possibilities, anticipating production. In addition, several national and regional chains have adopted this new product in their baking operations.

III. DOMESTIC AND FOREIGN ECONOMIC ANALYSIS

Current activities and trends: This project consists of three major activities.

A. Domestic economic and statistical analysis covers the gathering, analysis and interpretation of information on American agriculture as a whole, and on specific items, including important crop and livestock products, farm income, prices, population and labor. The major objective of the work is to keep farmers and others concerned with agriculture fully informed on both the present and prospective agricultural situation through regular reports and special analyses for specified commodities and geographic areas. This work also provides the basis for many of the projections of demand, supply, and utilization of farm products.

B. Foreign development and trade analysis research is concerned with appraisal of foreign market programs, the effect of foreign economic development on agriculture, and trade statistics and analysis. The research emphasizes the appraisal and evaluation of the economic implications of policies and programs of the U. S. and other countries on our foreign trade in farm products and the efficient use of our excess food production and other resources in economic development abroad. The information thus gained will be employed in improved formulations of national policies, positions and programs in the area of foreign agricultural marketing, foreign economic development, and foreign agricultural trade.

C. Foreign regional analysis is concerned with research on food and agriculture in more than 100 foreign countries in the Western Hemisphere, Europe, including the Soviet Union, Asia, Africa, and Oceania. For each country, the research is centered on economic analysis and interpretation of conditions, forces and developments affecting supply, demand, and trade in farm products, and their impact on current and prospective U. S. agricultural exports.

Selected examples of recent progress

1. Current situation and outlook reports issued throughout the year. Major developments affecting farmers' economic situation were included in the regular commodity situation reports issued during the year, such as:

a. Farm Income: Net income realized by the Nation's farm operators in 1962 will be as high as the estimated 1961 level of $12.8 billion, the highest since 1953. With farm income leveling off and a further decline in the number of farms, realized net farm income per farm is estimated at a record high of $3,470 in 1962, about 3 percent above the 1961 level (fig. 7).

b. Feed Grains: A major development in the feed situation in 1961-62 was the 13 percent reduction in planted acreage of feed grains, largely as a result of farmer participation in the Feed Grain Program. Even though yield per acre reached a new record high, production dropped 10 percent and fell below total requirements for the first time in 10 years. Carryover stocks of feed grains were reduced about 14 million tons in 1961-62 after reaching a record high of 85 million tons at the beginning of the marketing year (fig. 8). In 1962, participation in the Feed Grain Program increased and farmers reduced feed grain acreage another 4 percent. The 1962 crop was estimated in November at 141 million tons, about the same as in 1961. This year's production is expected to

again fall below total requirements and another substantial reduction in carryover is in prospect in 1962-63, probably about equal to the reduction in 1961-62.

c. Wheat: The stocks on hand at the beginning of the 1962-63 year were sharply reduced by the record heavy exports in 1961-62, the first reduction since 1958. With total disappearance expected to exceed the 1962 crop, which was reduced by the special 1962 wheat program, stocks, will again be reduced by the beginning of the 1963 marketing year.

d. Cotton: The carryover of cotton on August 1, 1962, was 7.8 million bales, about 600,000 bales more than a year earlier when the carryover was the smallest since 1953 (fig. 9). By August 1, 1963, a further increase in carryover of over a million bales is expected.

e. Dairy: Milk production continued its rise to a record 126.5 billion pounds in 1962 and is expected to reach about 127.5 billion pounds in 1963. Consumption of milk from all sources in 1962 will exceed 1961 levels by about 1.5 billion pounds milk equivalent, reaching a total of 117 billion pounds, a new record for civilian consumption. The prospect is for a further increase in 1963. However, the anticipated gain in consumption is expected to be less than farm marketings in 1963, and CCC purchases in that year may be even larger than in 1962. In 1962, the average price of wholesale milk declined as a result of lower support prices. In 1963, prices will be somewhat lower than 1962. Cash receipts from farm marketings in 1962 are about 1 percent under 1961 and are likely to decline a little in 1963.

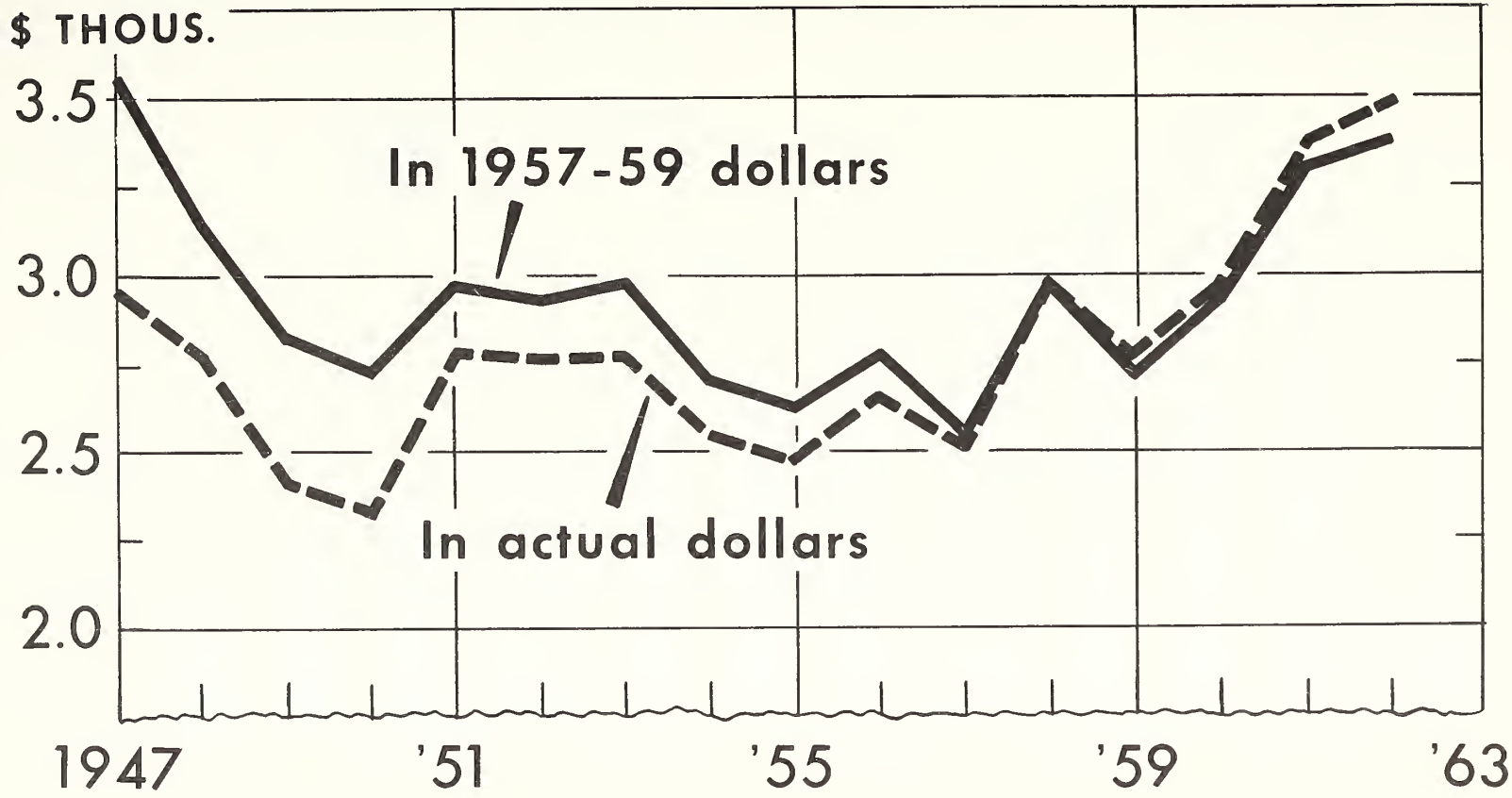
f. Poultry and Eggs: The higher prices than in 1961 received by broiler and turkey producers in 1962 appear to have set the stage for a large expansion in poultry production in 1963. Some increase in egg production may also occur. U. S. poultry exports to the Common Market have enjoyed a phenomenal growth since 1958. However, this growth has been arrested because the EEC imposed much more restrictive levies against imported poultry on August 1, 1962, than had previously prevailed. Over the longer term the Common Market is expected to become largely self-sufficient in poultry.

g. Tobacco: Total supplies of flue-cured and burley--the two large-volume tobaccos--for 1962-63 will be around 3 percent larger than for 1961-62 and above each of the preceding 4 years. Further gradual increases in cigarette and cigar consumption seem likely in the year ahead. Although calendar year 1962 exports are estimated to be the largest in 6 years, the presently scheduled duty rates on tobacco of the Common Market and strong competition from foreign producers cast a shadow on future prospects.

2. A study, "Agriculture and Economic Growth," in process. This study demonstrates that throughout the history of the United States, agriculture has made large and decisive contributions to the Nation's economic development. One of the most important during the 19th Century was the provision of export earnings.

Contributions during this Century can be identified under seven headings: (1) release of workers to industry; (2) lowering of food costs relative

Realized Net Farm Income Per Farm Continues To Climb

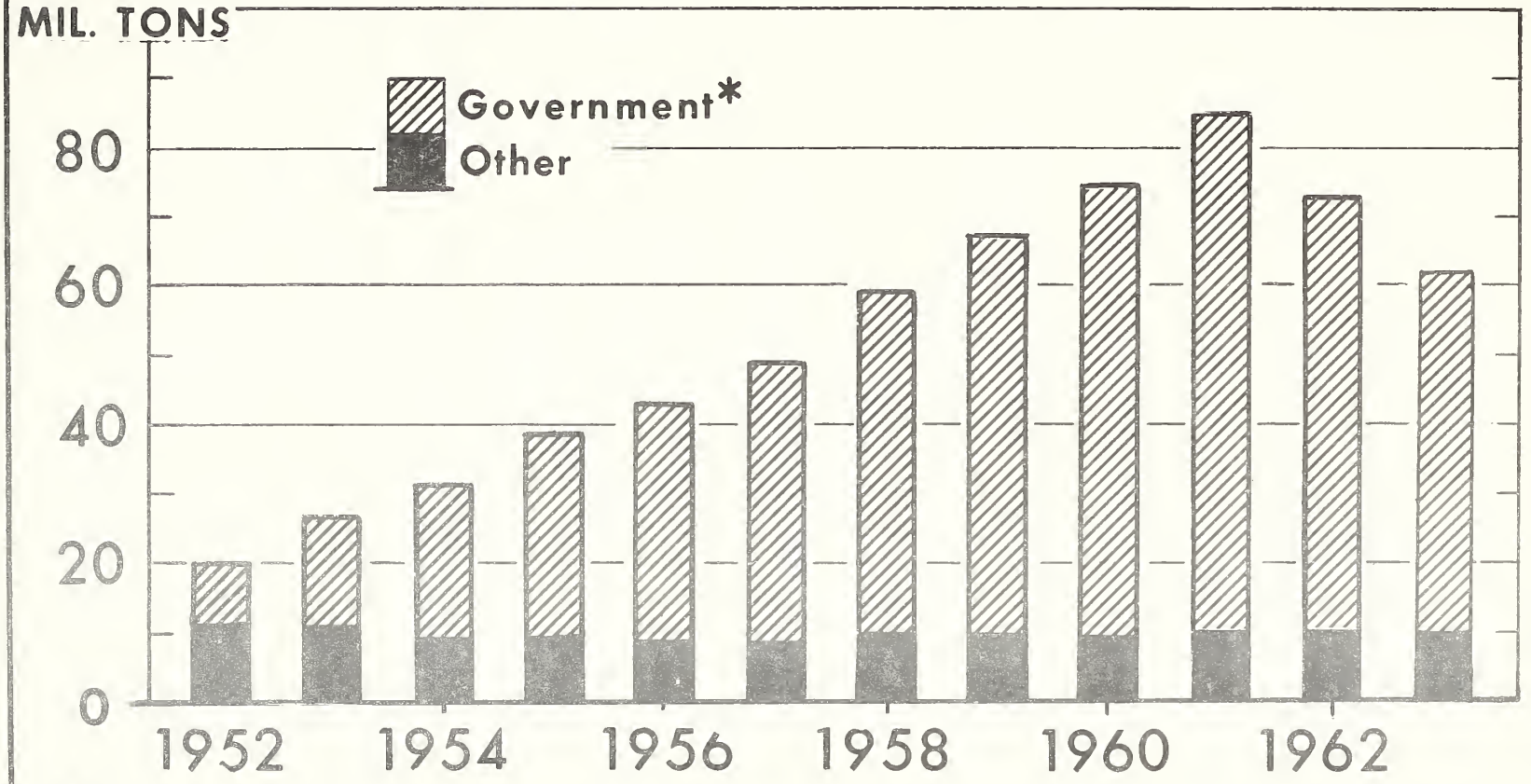


1961 PRELIMINARY. *1962 ESTIMATED.*

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 1214-62 (10) ECONOMIC RESEARCH SERVICE

FIG. 7

Another Reduction in Feed Grain Carryover in Prospect

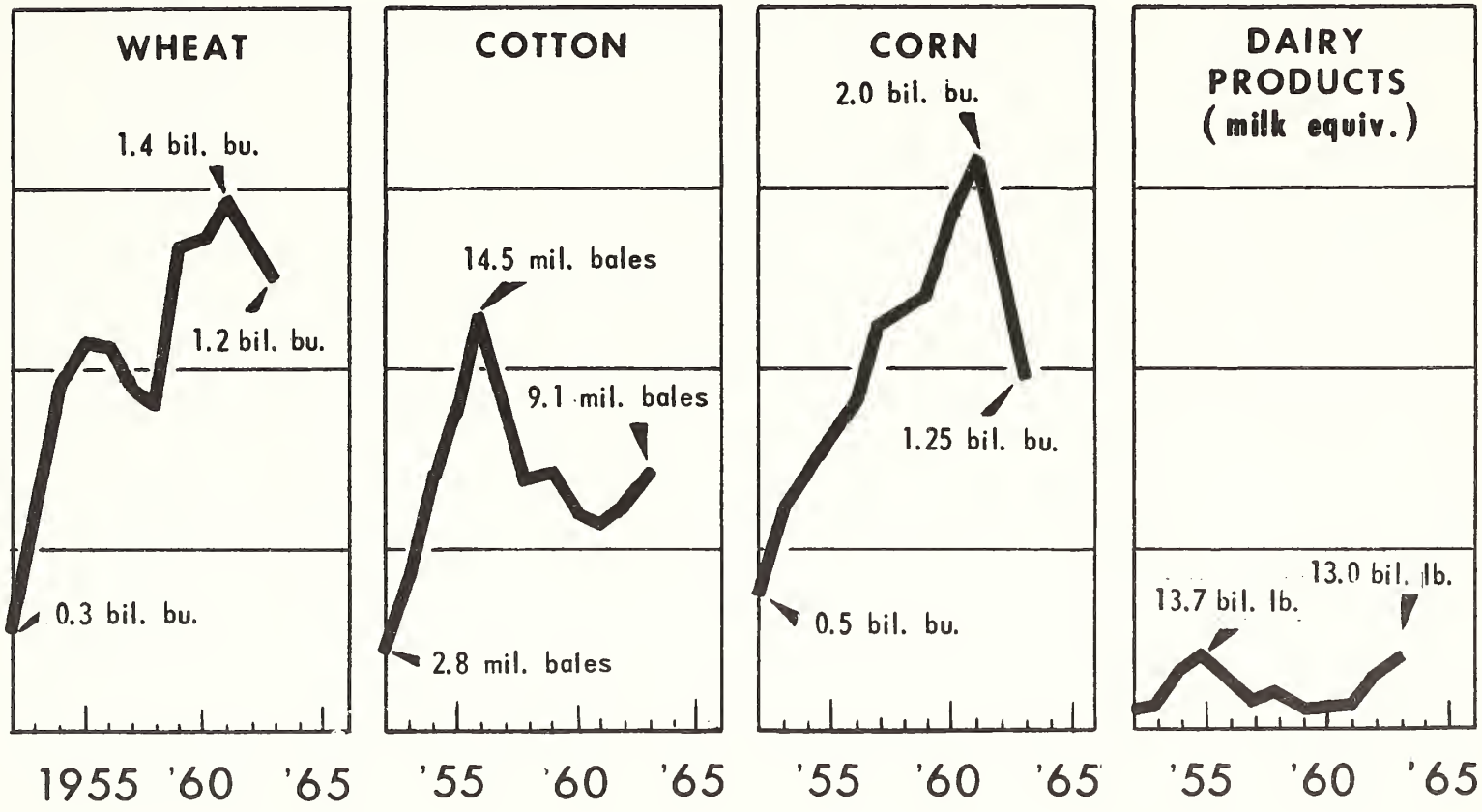


*UNDER LOAN OR OWNED BY CCC. STOCKS OF CORN AND SORGHUM GRAIN OCT. 1; OATS AND BARLEY JULY 1. 1963 BASED ON PROSPECTS FOR PRODUCTION AND DISAPPEARANCE AS OF SEPT. 1962.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 1326-62(8) ECONOMIC RESEARCH SERVICE

FIG. 8

CARRYOVER OF WHEAT, COTTON, CORN AND DAIRY PRODUCTS



YEARS BEGINNING: WHEAT, JULY 1; COTTON, AUG. 1; CORN, OCT. 1; AND DAIRY PRODUCTS, JANUARY 1. 1963 BASED ON INDICATED PRODUCTION AND DISAPPEARANCE AS OF OCT. 1962.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 1514-62 (10) ECONOMIC RESEARCH SERVICE

FIG. 9

to income; (3) increased purchases of industrial goods; (4) continued export earnings; (5) sustained output during economic depression; (6) the response to wartime needs; and (7) assistance to world economic development.

Underlying these contributions has been the long-time upward trend in total U. S. agricultural output. Gains in productivity per man-hour in agriculture have been particularly marked since the mid-thirties and have increased more rapidly than in the nonfarm sector.

Most of the dramatic contributions of agriculture to our domestic economic growth lie in the past, but those in the future will still be substantial. The dynamic contributions of American agriculture in the years to come will be to world economic growth.

3. Farm population estimates revised: In 1960, a new definition of the farm population was adopted by the Bureau of the Census and the Department of Agriculture in order to obtain a more objective measurement of the farm population. Use of the new definition excluded about 5 million people from the farm population who formerly were counted in it, but who had very little connection with farming. This change thus produced a decided break in the annual farm population series and made comparison with former years impossible. After considerable research, a revised annual series of estimates was prepared, beginning with year 1941. The revised estimates show the farm population declining from 30,547,000 in 1940 to 15,635,000 in 1960, compared with a decline from 30,547,000 to 20,541,000 under the old series (fig. 10). The revision greatly increases our estimation of the amount of outmigration from the farm population that has taken place in the post-World War II period. The farm population has declined to 14.8 million in 1961 and to approximately 14.3 million in 1962.

4. Farm income estimates improved. In 1962, estimates of the income of the farm population were developed and published for the first time on a personal income basis, permitting direct comparisons with personal income estimates published regularly in the national income accounts. The total personal income of the farm population from all sources in 1961 was $20.3 billion, $13.3 billion from farm sources and $7.0 billion from nonfarm sources. Based on revised farm population data, the percapita personal income of the farm population from all sources was $1,373 in 1961, less than 60 percent of the average per capita personal income of the nonfarm population.

5. Farm manpower, employment and wages analyzed. Almost 3½ million persons worked for wages on farms during 1961, some 200,000 less than in 1960. Sixty percent of them are employed on farms for less than 25 days during the year. Excluding casual workers, the average worker was employed at farm work for 134 days and earned $6.55 per day worked. When wages from nonfarm work are added to farm wages, average total cash earnings in 1961 came to $1,054. The year-round male hired farm workers (250 days or more employment on farms) averaged $2,455 from both farm and nonfarm work in 1961.

This survey also revealed that almost 60 percent of all farm wage workers had completed no more than 8 years of school. Among adults (25 years of

age and over) practically three-fourths had no more than a grade school education, and 30 percent had less than five years of schooling. Farm wage workers with some high school education earned more pay per day of farm wage work, had steadier farm employment, and more often held non-farm jobs than did workers with less education.

6. Economic factors affecting fiber consumption studied. This study develops estimates of final domestic textile fiber consumption in the United States and identifies the major economic factors affecting variations in fiber consumption. The new estimates of consumption represent the equivalent volume of fiber used by domestic consumers in terms of cotton equivalent. The single economic factor with the most influence on consumption was level of income. For the individual fibers, level of income and respective fiber prices were found to have the most effect on their consumption.

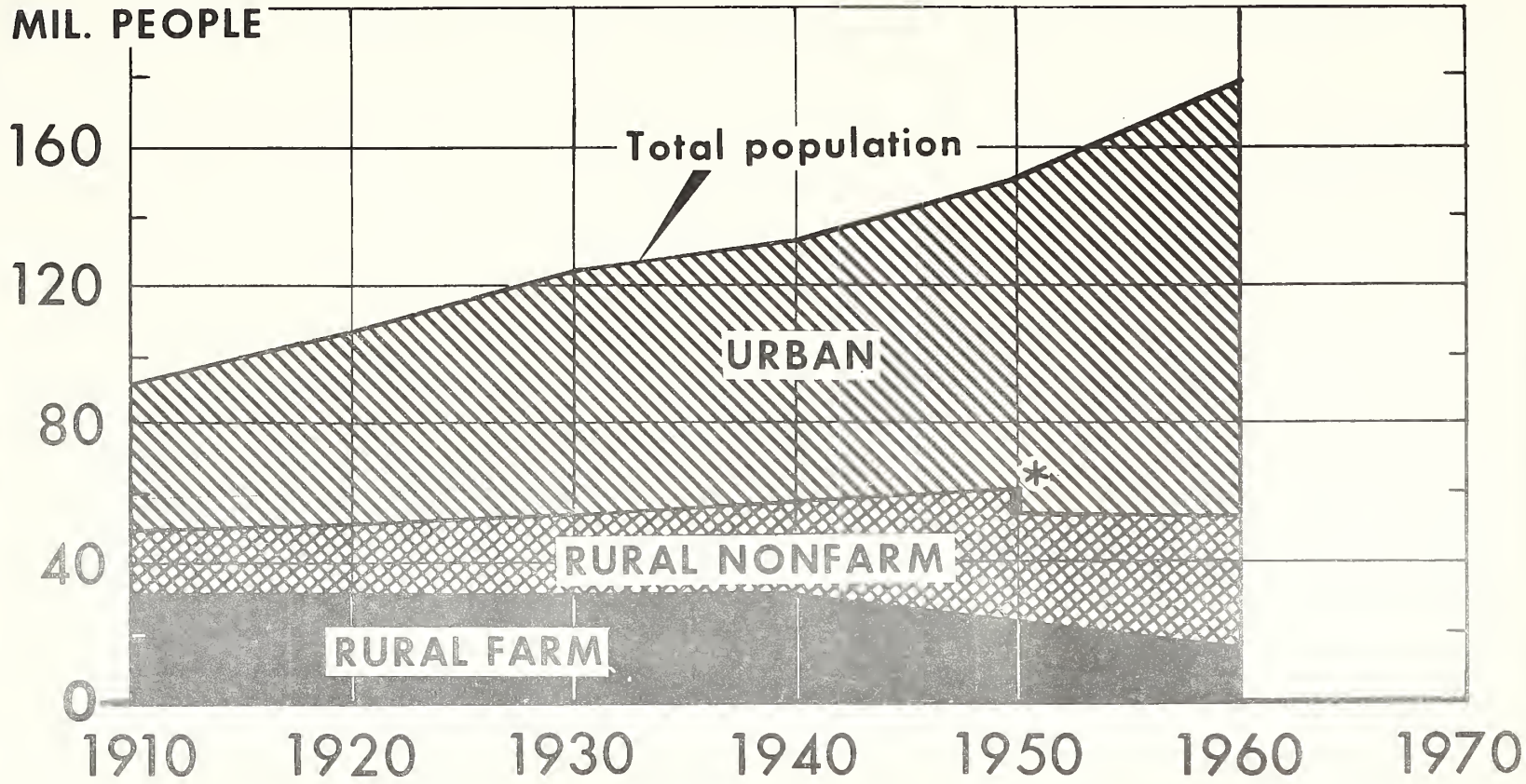
7. Major economic relationships that affect the supply and price of hogs analyzed. Hog production and prices have fluctuated through two fairly regular cycles since 1953. This study explains these cycles and measures the effect of such factors as prices of feed, beef and poultry, and consumer income on the hog economy. For instance a 10-percent increase in the October-December corn price results in a 2-percent decrease in farrowings the following year; a similar increase in beef prices decreases farrowings by 1 percent. A 10-percent increase in the October-December hog price is associated, on the average, with a 4-percent increase in farrowings the following year.

8. Record agricultural exports 1961-62. A continuing analysis of the current status of and outlook for U. S. agricultural exports reveals that exports for the fiscal year that ended June 30 equaled $5.1 billion, 4 percent above the previous year's record of $4.9 billion. Volume was equal to the record in 1960-61. The value of agricultural exports that moved for dollars came to an estimated $3.5 billion, also the largest in history while the value of Food for Peace exports equaled an estimated $1.6 billion (fig. 11). Sales for dollars accounted for over half of the total gain in U. S. agricultural exports in 1961-62 compared with 1960-61. Most of the increase in total exports in 1961-62 over the previous year was brought about by wheat and feed grains, the leading U. S. farm surplus commodities (fig. 12).

The export record in fiscal year 1961-62 represented 15 percent of total cash receipts from farm marketings. The foreign market provided an outlet for over half of the wheat, rice, and dried peas produced; two-fifths of the tallow; and around a third of the tobacco, cotton, soybeans (including bean equivalent of oil), nonfat dry milk, and hides and skins (fig. 13).

Continued advances in economic activity in the industrialized countries of Western Europe contributed most to the record level of exports in the past year. In addition, exports were encouraged by the vigorous market promotion program carried out jointly by USDA and industry groups, the redoubled efforts to negotiate favorable trade acess terms, and competitive pricing of export commodities, in some cases through the use of export payments.

In 1960, 1,100 Nonfarm People Per 100 on Farms

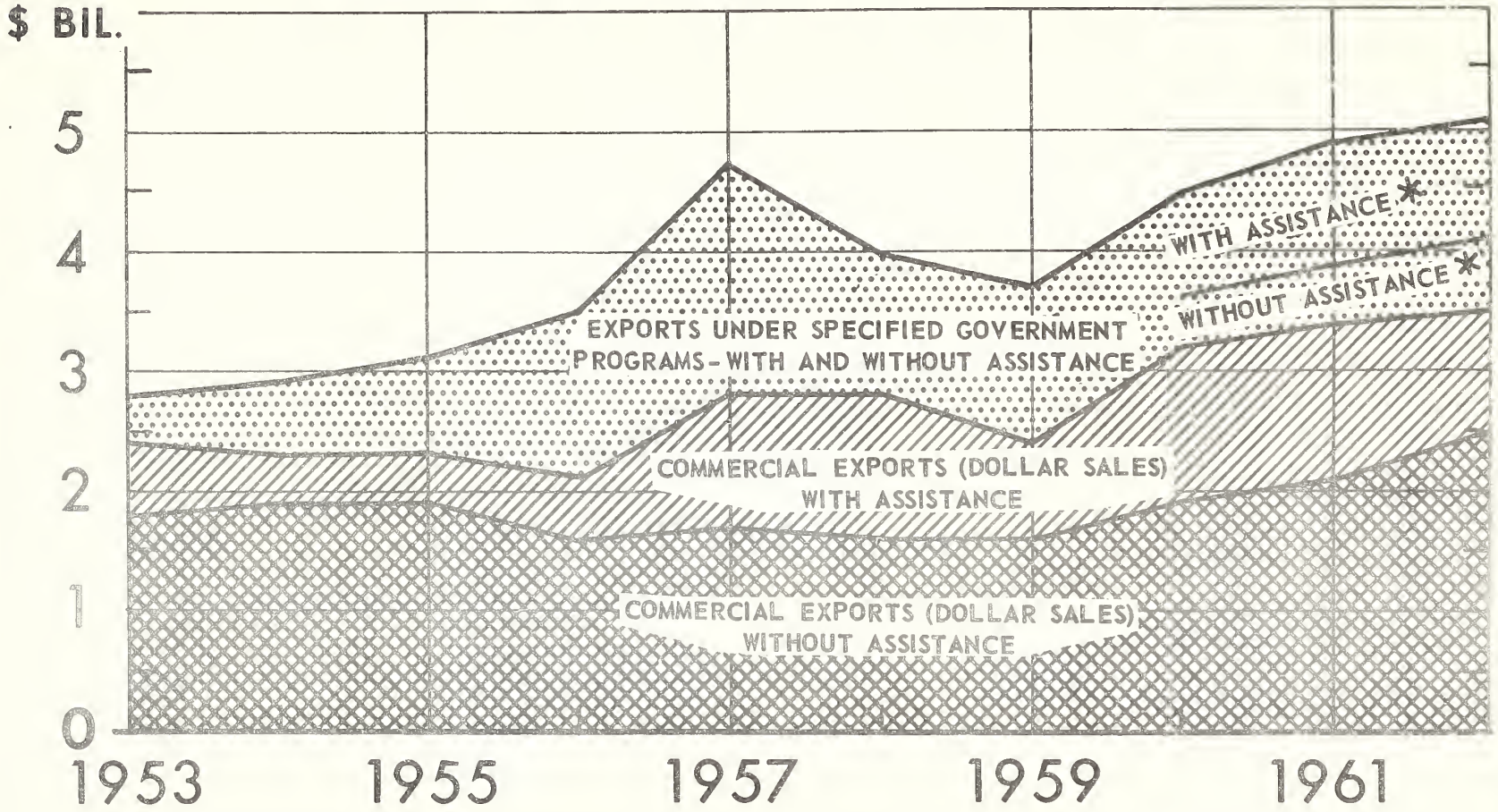


* DIFFERENCE DUE TO NEW URBAN AND RURAL DEFINITION ADOPTED FOR USE IN 1950 CENSUS.
DATA FROM BUREAU OF THE CENSUS AND ECONOMIC RESEARCH SERVICE.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 1335-62 (8) ECONOMIC RESEARCH SERVICE

FIG. 10

Dollar Sales Account for 2/3 of Total Farm Exports in 1961-62

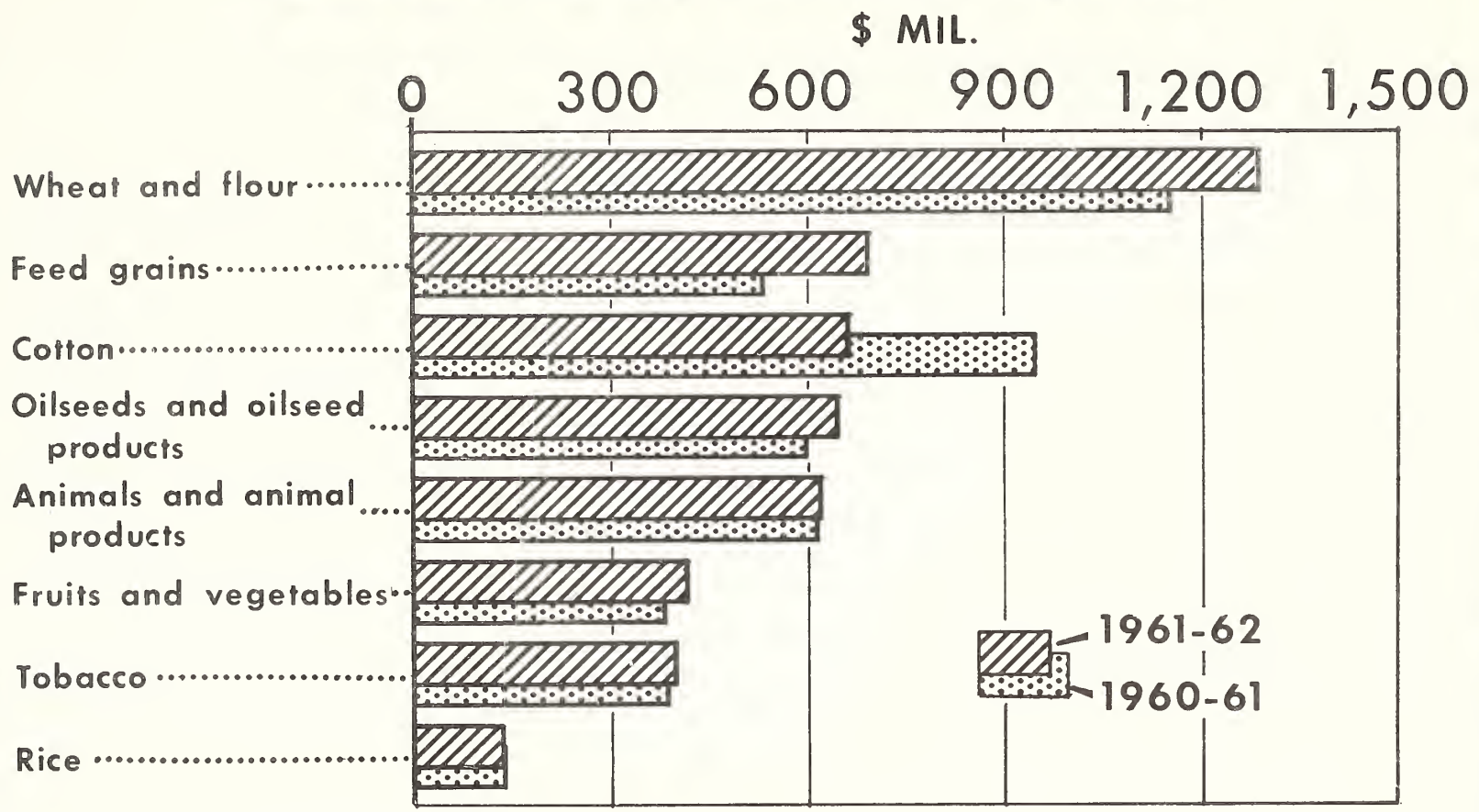


YEAR ENDING JUNE 30. * *AVAILABLE ONLY FOR 1960-1962.*

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 440-62(8) ECONOMIC RESEARCH SERVICE

FIG. 11

Wheat and Feed Grains Dominate Advance in Agricultural Exports

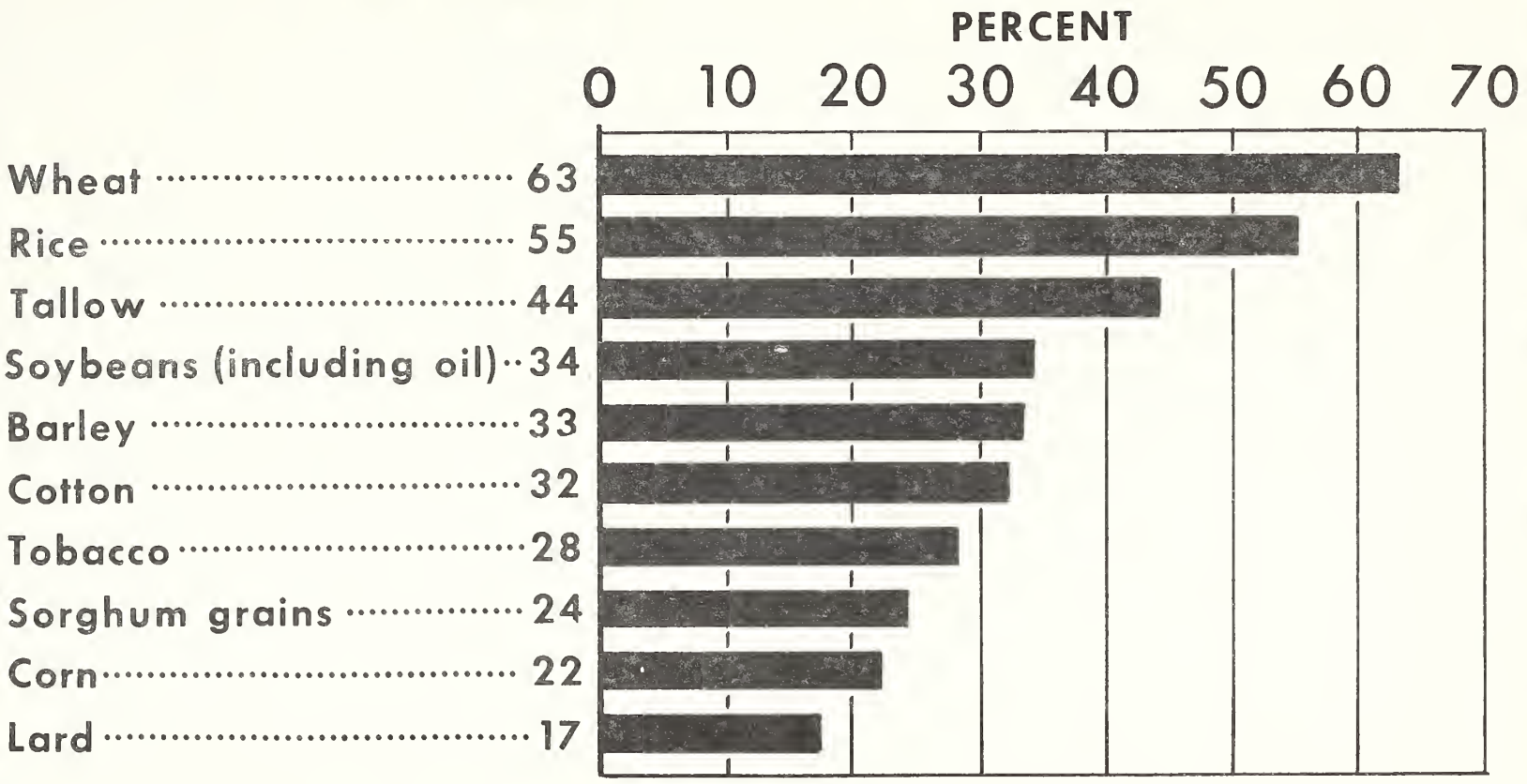


YEAR ENDING JUNE 30. 1961-62 PRELIMINARY.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 1250-62(7) ECONOMIC RESEARCH SERVICE

FIG. 12

Exports Provide Big Outlet for Many U. S. Farm Products



EXPORTS COMPARED WITH FARM SALES FOR CROPS AND WITH PRODUCTION FOR LARD AND TALLOW. DATA ARE FOR FISCAL YEAR 1961-62.

U. S. DEPARTMENT OF AGRICULTURE

NEG ERS 1395-62 (8) ECONOMIC RESEARCH SERVICE

FIG. 13

9. Long-term projections of foreign supply and demand by country and region. Activity continues under this project. To assess future import opportunities for U. S. agricultural products, particularly in dollar markets, there are now in progress 15 country studies. Projections through 1975 are being made.

a. Western Hemisphere. Studies underway include the old West Indies Federation and British Guiana area, Colombia, Brazil, Venezuela, Chile and Mexico. Results of these studies are in much demand by government agencies and private trade groups to guide activities relating to exports of U. S. agricultural products.

b. Far East. A study assessing the future import demand for agricultural products in Japan in view of long-term trends in demand and production has some important significance to U. S. farmers. Preliminary findings indicate that imports of feedgrains will increase sharply, reflecting increased demand for livestock products in Japan. Soybeans can help increasingly to meet the growth in cake and meal consumption that is foreseen. Similar studies have been initiated in Pakistan, and completed for India and the Philippines.

c. Western Europe. Studies are being made in Spain, France, and the Netherlands. Studies completed for Italy and Austria are being edited for publication in 1963. The Italian analysis concludes Italy will require substantially enlarged imports of feedgrains and will provide keener competition for U. S. fruits in Western Europe.

d. Africa and Middle East. A study of the long-term projections of supply of and demand for agricultural commodities in Nigeria indicates that Nigeria's 1975 import demand for wheat should double that of 1960. The demand for milk (dried and/or canned) will expand more rapidly than that of any other agricultural commodity, at a rate which will double demand every 3-5 years.

10. Agricultural situation. The annual World Agricultural Situation Report is scheduled for issuance in January 1963, and regional summaries in January and February for the Western Hemisphere, Western Europe, Eastern Europe, Africa and Middle East, and the Far East. This project appraises the outlook for the demand, supply and prices for farm products in the year ahead, and disseminates that information for government and public use on a continuing basis. The 1963 World Agricultural Situation Report shows total farm output again high, but per capita output up only slightly, while world export prices of primary food products rose slightly (fig. 14).

11. Agricultural and trade policies of foreign countries. Governmental measures taken to protect agriculture and to support prices and incomes of agricultural producers in foreign countries are analyzed to inform public and private groups how these policies affect foreign competion with and demand for U. S. agricultural commodities. A comprehensive policy report on major producing countries will be issued in 1963. In addition, circulars will cover the following subjects: The Latin American Free Trade Area, the Central American Free Trade Area, and the Alliance for Progress in the Western

Hemisphere, implication of the European Common Market's agricultural policy and agricultural programs in Eastern Europe for U. S. agriculture.

a. The European economic community's agricultural policy. Continuing analysis of the Common Market's agricultural policy, which is both in process of development and implementation, is being carried on in order to assess its likely future impact on U. S. exports. Practically all of Western Europe is involved or may become involved in the Common Market. Of the 10 countries not already included in the Common Market four, chief of which is the United Kingdom, have applied for full membership, five for some form of association, and one is interested in a limited trade agreement. The work will be extended to additional members or associates as conditions indicate.

b. U.S.S.R. and other Eastern Europe. Reviews completed in FY 1963 of agricultural production policies and trade in the Communist area are highly significant to U. S. agriculture, our foreign economic policy, and agriculture generally in the free world.

A report on the Agricultural Situation in the Soviet Union and Eastern Europe, completed in FY 1963, shows output declined or fell short of the high official goals in the Soviet Union and most other Eastern European countries.

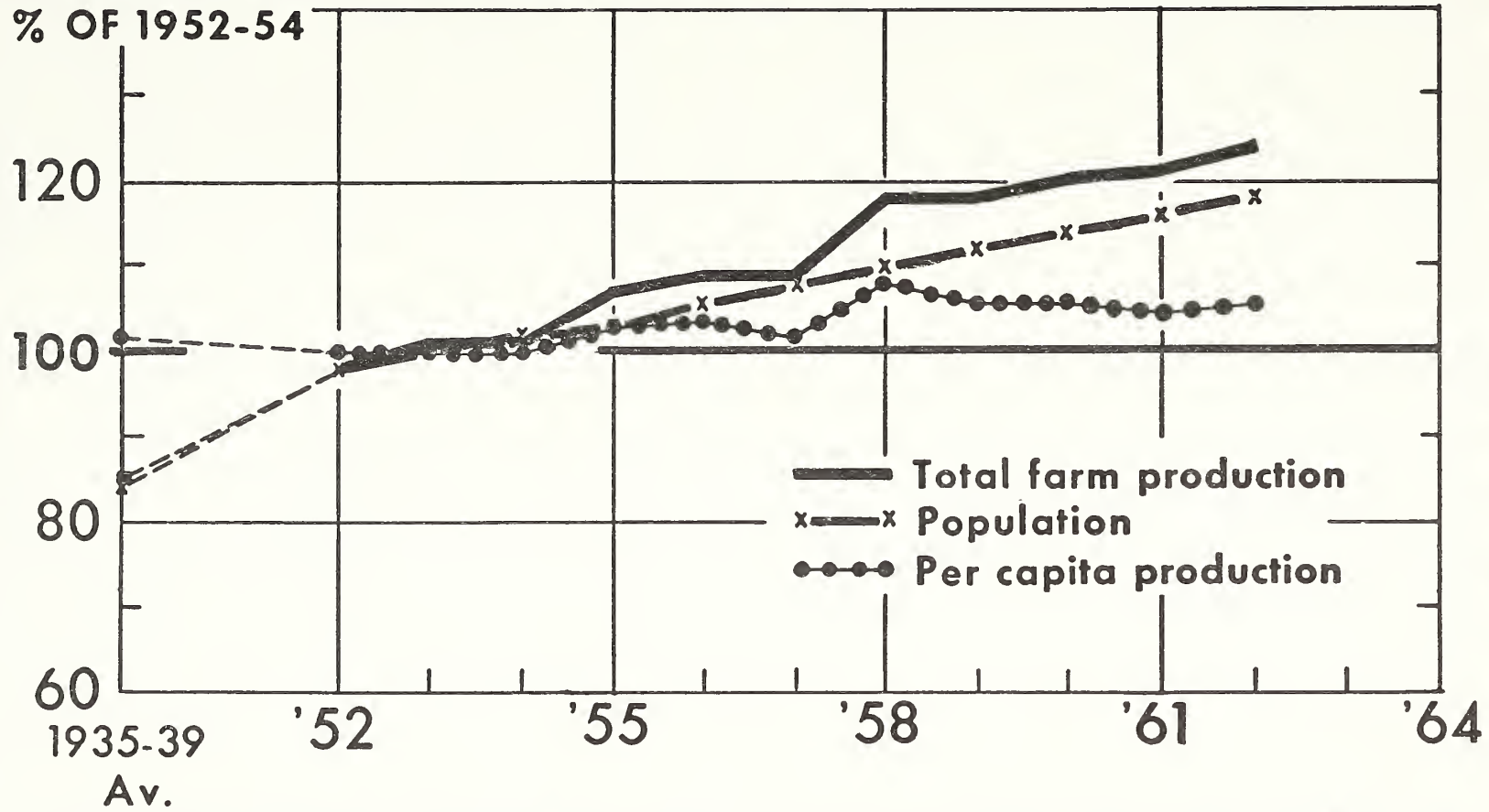
Comparisons made of The Agricultural Picture in U.S.S.R. and U.S.A. strikingly contrasts behaviour of the agricultural sectors of the Soviet and U. S. economies; namely, stagnation in agricultural production and shortages of food, particularly of animal products in the Soviet Union and a continuing high level of agricultural production and abundance of food in the United States.

A Survey of Czechoslovakian Agriculture reviews and analyzes agricultural production, utilization of farm products, agricultural trade and policies since World War II with some comparisons with the prewar situation. Czechoslovak agriculture, in spite of increased mechanization, fertilization, and other capital investments, remained in 1961 at a level approximating, 90 percent of prewar production. The forced collectivization of agriculture, virtually completed in 1961, has aggravated the shortage of farm labor and managers resulting in sporadic shortages of agricultural products and the necessity for increased imports of farm products, mainly from the Soviet Union.

Principal projects in progress on the competitive position of Soviet and other Eastern European agriculture include: (1) Analysis of the recent increase of livestock prices in the Soviet Union; (2) A review of Soviet foreign trade in agricultural products; (3) An analysis of manpower resources in Soviet agriculture; (4) An analysis of the grain and livestock situation in the Danubian Basin.

12. Effects of shifts in agricultural production and trade. This project is designed to analyze and interpret opportunities and problems for U. S. agriculture in shifts in foreign markets and competitor countries. Such shifts are important to U. S. exporters.

WORLD: Total Farm Output Again High; Per Capita Output Up Slightly



FOR MOST CROPS, HARVESTS GATHERED MAINLY BETWEEN JULY 1 OF YEAR SHOWN AND JUNE OF FOLLOWING YEAR.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 685-62 (11) ECONOMIC RESEARCH SERVICE

FIG. 14

Agricultural diversification in Thailand. Besides continuing to supply a large share of world rice exports Thailand's agriculture is becoming increasingly diversified and commercialized. This points to higher farm incomes, increased foreign exchange earnings, and larger and more diversified imports by Thailand, a country with nearly 30 million people.

Africa. Imports of agricultural commodities into Africa are record high and are increasing. Egypt, for example, is providing a growing market for U. S. farm exports and is now our most important market in Africa and the Middle East. A report, The Agricultural Economy of Egypt describes and analyzes conditions limiting productivity and those factors contributing to the changes in the supply and demand for agricultural commodities. The material presented in this report provides an important basis for implementing practical market development activities in Egypt which will lead to further increases in exports of agricultural commodities to that country.

Caribbean area. Findings of on-the-spot and other research indicate increasingly important markets can be developed in this region for a diversity of agricultural products. U. S. agricultural exports to Jamaica, Trinidad, Bermuda, Bahamas, and Caribbean areas associated with European nations totaled $56.5 million in 1961, ranking fifth as a U. S. agricultural export market in the Western Hemisphere. The leading exports were wheat, wheat flour, meat and meat products, feedstuffs and processed foods.

13. World food and agricultural statistics by country and region. This is a continuing activity involving cooperation with statisticians and commodity specialists of Foreign Agricultural Service, as well as consultation and correspondence with agricultural attaches, market research specialists,and international organizations to clarify questions and improve the basic data.

a. Production indices. This project concerns the annual measurement of changes in agricultural production for the world and 100 individual countries compared to a base period, this providing important quantitative summaries of the output of foreign agriculture. The work on 1962 indices indicates that the world will have a slightly larger per capita supply of food in 1963 than in previous years.

b. Food balances. This project covers the continuing appraisal of the food situation in foreign countries and preparation at regular intervals of food balances indicating food supplies, by commodities, and their utilization. Food balances for about 40 countries are planned for reissuance in calendar year 1963 and an equal number in early 1964. These are done for a 3-year period to minimize the statistical effect of abnormal weather or economic conditions in a given year. The series beginning in FY 1964 will be for the period 1959-61, and will furnish basic data for the next issue of the World Food Budget.

c. Foreign market research. This phase of the research in 1963 is planned with a view to improving through country market research

projects the coverage and quality of agricultural statistics and other data for selected countries in Southeast Asia, Africa, and Latin America. In the making of these surveys cooperation of the local responsible research authorities is sought to insure receipt on a continuing basis of supply-utilization data from these areas where such data previously had been inadequate.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1962, were actually received or programmed for 1963 or 1964. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in some cases.)

Item	Obligations, 1962	Estimated Obligations, 1963	Estimated Obligations, 1964
Allotments from:			
Flood prevention, Soil Conservation Service - Works of improvement	$26,876	$31,000	$33,000
Watershed protection, Soil Conservation Service:			
Investigations and planning	19,614	26,000	26,900
Installation of works of improvement	95,126	93,400	96,800
Surveys and investigations of water resources programs	182,075	312,600	449,300
Total, Watershed protection	296,815	432,000	573,000
Resource conservation and development, Soil Conservation Service - Investigations and planning	- -	- -	65,000
Office of Emergency Planning - For civil defense activities	- -	- -	50,000
Total Allotments	323,691	463,000	721,000
Allocations and Working Funds (Advances from other agencies):			
Agency for International Development:			
Training services	45,966	53,300	55,800
Technical consultation and support	55,216	83,270	87,200
Administrative expenses	14,298	25,600	26,800
Agricultural Mission to Bolivia	2,000	17,730	- -
Total, Agency for International Development	177,480	179,900	169,800
Consolidated Working Fund, General, Agriculture - To carry out responsibilities under the Area Redevelopment Program	50,175	51,129	66,000
Total, Allocations and Working Funds	167,655	231,029	235,800

(Continued on next page)

Item	Obligations, 1962	Estimated Obligations, 1963	Estimated Obligations, 1964
Trust Funds:			
Miscellaneous Contributed Funds -			
For economic research	14,613	13,000	13,000
Obligations under Reimbursements from Governmental and Other Sources:			
Salaries and expenses	699,538	803,000	828,000
Watershed protection, Soil Conservation Service	45,000	128,000	131,000
Total, Reimbursements	744,538	931,000	959,000
TOTAL, OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS	1,250,497	1,638,029	1,928,800

PASSENGER MOTOR VEHICLES

The 1964 Budget Estimates propose the replacement of 1 passenger motor vehicle. Passenger motor vehicles are replaced on the basis of mileage and use standards prescribed by the General Services Administration. Standards provide that vehicles to be replaced must be at least six years of age or have been driven 60,000 miles or more, or meet other criteria.

The passenger motor vehicles of the Economic Research Service are used for necessary field travel in carrying out the following services: (1) a national program of economic research and service work related to the utilization of resources in agriculture, problems of adjustments in farm population, and farm financial problems; (2) a marketing economics research program relating to market potentials, distribution, and merchandising of agricultural products. The automobiles are used for travel to farms, market terminals, offices of produce dealers and truckers, processing plants, canneries, stockyards, tobacco auction markets, cotton gins, plantation and compress operators, railroad yards, piers, grain elevators, and warehouses, where use of common carrier is not feasible.

The passenger motor vehicle proposed for replacement will meet the "60,000 mile - 6 year" standard indicated above.

Age and mileage data for passenger motor vehicles on hand as of June 30, 1962, is as follows:

Age Data			Mileage Data		
Age-Year Model	Number of Vehicles	Percent of Total	Lifetime Mileage (thousands)	Number of Vehicles	Percent of Total
1957	5	42	80-100	3	25
1958	2	17	60-80	2	17
1959	1	8	40-60	2	17
1960	-	-	20-40	2	17
1961	1	8	Under 20	3	25
1962	3	25	Total	12	100
Total	12	100			

STATISTICAL REPORTING SERVICE

Purpose Statement

The Statistical Reporting Service was established by Secretary's Memorandum No. 1446, Supplement 1, of April 3, 1961 under Reorganization Plan No. 2 of 1953 and other authorities. The Service was created to give coordinated leadership to the statistical reporting research and service programs of the Department. It provides a channel for the orderly flow of statistical intelligence about the agricultural economy of this country. The primary responsibilities of this Service are the nationwide crop and livestock estimates, coordination and improvement in the Department's statistical requirements, and special surveys of market potentials for agricultural products. Service programs are organized under the following major areas:

1. Crop and livestock estimates, including estimates of production, supply, price and other aspects of the agricultural economy; conduct of enumerative and objective measurement surveys; preparation and issuance of the official National and State estimates and reports of the Department relating to acreages, types and production of farm crops, number of livestock on farms, livestock products, stocks of agricultural commodities, value and utilization of farm products, prices received and paid by farmers, and other subjects as required.

2. Statistical research and service, including review, clearance, coordination, and improvement of statistics in the Department; research on and development of improved statistical techniques used in gathering and evaluating statistical data; data processing activities, with related systems analysis and research, programming and processing of data; research on consumers' preferences on foods, fibers, and their by-products and consumers' evaluation of costs and other factors when buying these products.

3. Research under Section 104(a) and (k) of P.L. 480 - Services are performed in connection with the execution and development of studies conducted overseas with foreign currencies by research institutions in foreign countries. Professional personnel review for technical adequacy these projects prior to the contract execution phase, thereafter, periodically appraise progress and methods used in carrying out the work, and review the resulting final reports. That portion of these Explanatory Notes applicable to the Special Foreign Currency Programs of the Agricultural Research Service and the Foreign Agricultural Service contain discussions of 104(a) and (k) activities.

4. Work Performed for Others - The Service also performs services for other Federal, State, and private agencies, on a reimbursable or advance payment basis. These include among others the AID foreign visitor training program, farmers' expenditures and wage and hour surveys for the Department of Labor, and various data collection activities for the Bureau of the Census and other organizations.

The Statistical Reporting Service maintains a central office in Washington, D. C., but a large part of the crop and livestock program is carried on through 43 State offices.

On November 30, 1962, there were 1,125 full-time employees, of whom 643 were in the field. In addition, there were 304 part-time and intermittent employees, primarily in the field.

	Estimated Available, 1963	Budget Estimates, 1964
Appropriation	$10,005,000	$11,552,000

Salaries and Expenses

Appropriation Act, 1963	$9,693,000
Transferred to "Operating Expenses, Public Buildings Service, General Services Administration" for space rental	-3,000
Proposed transfer, 1963, for increased pay costs	315,000
Base for 1964	10,005,000
Budget Estimate, 1964	11,552,000
Increase	+1,547,000

SUMMARY OF INCREASES AND DECREASES, 1964

To extend to additional States the first phase of the long-range crop and livestock estimates program	+1,045,000
For reimbursement to the Post Office Department for certain mail surveys previously handled on a non-reimbursable basis	+80,000
To develop improved automatic data processing systems	+106,000
Reduction to reflect estimated savings due to the installation of a centralized processing operation (MODE) for personnel and payroll data	-8,000
For postal costs pursuant to Public Law 87-793	+75,000
For pay act costs pursuant to Public Law 87-793	+249,000
Net increase	+1,547,000

PROJECT STATEMENT

Project	1962	1963 (estimated)	Increases: Increased Pay & Postal Costs (P.L. 87-793)	Increases: Other	1964 (estimated)
1. Crop and livestock estimates ..	$8,169,796	$9,428,000	+$313,000	+$1,119,000	$10,860,000
2. Statistical research and service	552,520	577,000	+11,000	+104,000	692,000
Subtotal a/	8,722,316	10,005,000	+324,000	+1,223,000(1)	11,552,000
Unobligated balance	38,690	- -	- -	- -	- -
Total increased costs (P.L.87-793):					
Pay costs .	(- -)	(315,000)	(+249,000)	(+51,000)	(615,000)
Postal costs	(- -)	(32,600)	(+42,400)	(- -)	(75,000)
Total available or estimate ...	8,761,006	b/ 10,005,000	+324,000(2)	+1,223,000	11,552,000

(Continued on next page)

Project	1962	1963 (estimated)	Increases: Increased Pay & Postal Costs (P.L. 87-793)	Increases: Other	1964 (estimated)
Transferred to "Operating Expenses, Public Buildings Service, General Services Administration"	+6,994	+3,000			
Transferred from "Reimbursement to Commodity Credit Corporation for special milk program" due to pay increases ...	- -	-315,000			
Total appropriation or estimate ...	8,768,000	9,693,000			

a/ Represents obligations. Applied costs for 1962 are $8,724,973. The difference of $2,657 reflects, primarily, the excess of equipment, supplies, and materials used over those ordered and received in 1962.

b/ Includes $5,700 estimated to be transferred to "Salaries and Expenses, General Administration", during fiscal year 1963 for the Office of the Inspector General.

INCREASES AND DECREASES

(1) A net increase of $1,223,000 consisting of:

(a) An increase of $1,045,000 to extend to additional States the first phase of the long-range program for improvement of the crop and livestock estimates.

Need for Increase: Agriculture, as well as other segments of the economy, urgently need accurate and timely data on acres of crops planted and harvested, number of farms and related acreage, livestock numbers, and the prospective production of important commodities at monthly intervals as each growing season progresses. In addition to the farm and commercial interests served, the forecast of these data are basic to effective formulation and administration of agricultural policy and programs of the government. A broad program was originally outlined to the Congress in 1957 to strengthen these estimates. The program included:

Project "A", Structure for Providing Improved County, State, and National Data;

Project "B", Expanded Agricultural Price Statistics;

Project "C", Speedier Release and Distribution of Reports; and,

Project "D", Additional Data and Services Needed.

Within the overall long-range plan to improve these data, for which there continues to be increasing demands from both private and governmental interests, the first project ("A") of this long-range plan is basic in that it encompasses more precise data assembled through the 43 State offices covering all 50 States. The additional funds appropriated from time to time since 1957 have been used to place more and more States under this phase of the program. The additional funds provided for 1963 enabled placing project "A" in full operation in 4 additional States, and on a pilot basis in the 11 Western States. The increase now requested would permit further expansion to other States. The 1964 estimates also include $2,444 for mandatory reimbursement to the Employees Compensation Fund for payments made from the fund to employees of this agency in fiscal year 1962. (An over-all explanation of Employees Compensation Fund payments is included in the Preface to these Explanatory Notes in Volume 1.)

Plan of Work: The increase proposed for 1964 would be used to place the 11 Western States, currently on a pilot basis, on a full operating basis. This would provide a full program of enumerative surveys of a scientific sample of farms in 35 States, and permit objective measurements for estimating yields of important commodities such as cotton, corn and wheat. The increase would also permit placing 12 North-eastern States and Florida on a pilot basis, thus providing for the first time in the 48 contiguous States the implementation of project "A" on either a full operating or pilot basis.

(b) An increase of $80,000 for reimbursement to the Post Office Department for certain mail surveys previously handled on a non-reimbursable basis.

Need for Increase: For many years the Post Office Department has cooperated without compensation in conducting livestock and crop acreage surveys through selected rural mail carriers' handling of mail survey schedules to and from farmers for ultimate consolidated delivery to the statisticians at the State level. The Post Office Department has advised that this free service can no longer be continued, and that the survey cards should be handled as regular mail for which reimbursement to that Department must be made in an amount equivalent to the estimated volume of mail which will now be required. The continued operation of the mail survey is essential to the crop and livestock estimates program. The proposed $80,000 increase would provide for handling of an estimated 3,200,000 pieces of mail at an average cost of two and one-half cents each.

(c) An increase of $106,000 to develop automatic data processing systems related to improving the crop and livestock estimates program.

Need for Increase: The potential role that automatic data processing can play, in furtherance of the long-range program for improvement of the crop and livestock estimates, is significant. In recent years ADP, which has progressively become a vital and commonplace tool throughout both government and private industry, has served as a prerequisite to significant

progress in many fields. To achieve the long run potential in which the crop and livestock estimates program can be made more effective through related technological development of automatic data processing, it is necessary that a considerably expanded program of training and development be undertaken.

While no immediate dollar savings can be attributed to such an endeavor, the ultimate long-range benefits are significant with respect to (1) more complete analysis of data to bring out facts that cannot be feasibly obtained by manual methods, and (2) the speed, efficiency, and accuracy of the entire collection and compilation process. Resources in particular need to be directed toward taking full advantage of the larger and more modern electronic equipment to which the agency plans to have access. To date the agency has been able to devote only limited resources to this research-developmental type work in data handling and processing for agricultural statistics. In order that this phase of the long-range program might be kept abreast of other expanding activities of the program, additional resources are urgently needed.

Plan of Work: The increase proposed would be used in determining the most efficient methods of applying machine techniques to the collection and processing of agricultural data, including:

1. Investigation of techniques for the rapid transmission of data between the field and Washington to reduce the time lapse between the collection of data and release of reports.

2. Ascertaining the most efficient way of transferring data from source documents to machine media.

3. Developing a set of codes that can be used generally in agriculture for the processing of statistical data.

4. Planning methods of storage and retrieval of statistical data.

5. Preparation of general computer programs, so that reprogramming will not be needed for each job.

6. Study of feasibility of shifting specific areas of work to Automatic Data Processing.

(d) A reduction of $8,000 to reflect estimated savings due to the installation of a centralized data processing operation (MODE) for payroll and personnel data. An explanation of this reduction is included in the preface to these Explanatory Notes. This reduction is distributed between activities as follows:

Crop and livestock estimates	-$6,000
Statistical research and service	- 2,000
Total decrease	-$8,000

(2) An increase of $324,000 for pay and postal costs pursuant to P.L. 87-793, consisting of an increase of $249,000 full year pay costs and $75,000 for postal costs. (An overall explanation of increases for pay and postal costs is included in the Preface to these Explanatory Notes in Volume 1.)

STATUS OF PROGRAM

The Statistical Reporting Service is the primary data collection agency for agriculture. It is responsible for statistical reporting and service work, including crop and livestock estimates, statistical coordination and improvement, and marketing data surveys.

Work under this appropriation is accomplished through two financial projects: (1) Crop and livestock estimates, and (2) Statistical research and service.

I. CROP AND LIVESTOCK ESTIMATES

Current Activities and Trends: This program includes the collection, analysis, and interpretation of basic statistical and economic crop and livestock data and preparation of official National and State forecasts, estimates and reports relating to food and agriculture. These reports and estimates cover the most important aspects of production and marketing--number of farms and acreage in farm lands; acreages, yields, production, stocks, numbers and production of livestock, poultry and their products; value and utilization of crops, livestock and livestock products; prices received by farmers for products sold and prices paid for commodities and services bought for living and production; farm employment and wage rates; quantities of various foodstuffs in cold storage; and other aspects of the agricultural economy. In addition, the program includes computing the parity index and determining and publishing parity prices for agricultural commodities. The estimates and forecasts are released through the medium of about 700 reports each year.

Thousands of farmers, processors, merchants, and others serve as volunteer reporters, and their reports are supplemented by field observations, objective yield measurements, and other data to provide the resulting reports issued for public information.

Long-range program for developing the Agricultural Estimating Service: The principal goals of this program are to (a) increase the accuracy and dependability of National and State data, (b) improve agricultural price statistics, (c) expedite the release and distribution of reports, and (d) provide additional data and services needed for certain commercially important products.

Selected examples of recent progress:

1. Quarterly Pig Crop Reports. Funds were appropriated for fiscal year 1963 to initiate quarterly pig crop reports in 10 States. This program expands and improves the reports previously developed on an experimental basis and provides for a regular system of independent quarterly surveys and reports. The quarterly surveys are being conducted in the following States: Ohio, Indiana, Illinois, Wisconsin, Minnesota, Iowa, Missouri, Kansas, Nebraska, and South Dakota.

The quarterly program affords individual States the opportunity to obtain collateral data not available through regular surveys but which are needed within the State and are financed with State funds.

Data covering such related items as feeder pig purchases, sources, costs and weights are obtained in Illinois and Wisconsin. Ages of hogs marketed as well as deaths of hogs and pigs by months are surveyed in Ohio and Illinois. Expected hog marketings by classes during the succeeding quarters were asked by Kansas. The December 1961 and June 1962 Enumerative schedules were used to test the procedure for reporting hog inventories by weight groups rather than ages. Results, from the viewpoint of ease of reporting and usefulness as an indicator, suggest weight grouping as a promising alternative.

2. Fruit Estimates. A continued study of objective counts and measurements will be made in an effort to improve the accuracy of production forecasts of selected fruits. Particular emphasis will be placed on analyzing the sample, methods of counting and measuring, and droppage and growth curves of Florida citrus. As the June general purpose enumerative survey is expanded to include California, an effort will be made to obtain data which will serve as a basis for estimating the size of sample needed to estimate the acreage of various fruit, nut, and vegetable crops in California by the enumerative approach. With respect to forecasting services for grapes and lemons in California, a limited service for grapes was conducted in fiscal year 1962 in cooperation with the grape industry. This was done in response to the Congressional report on the 1962 appropriation act which requested that the agency consider providing estimates on both grapes and lemons, if possible, under funds which may become available. Lack of funds, however, did not permit the forecasting of the lemon crop. With respect to fiscal year 1963, in response to the urgency indicated for estimates on both these commodities, appropriate action has been taken to provide an expanded service. The cost of this work for which plans are now well underway is being funded in part by the State of California, with the Statistical Reporting Service absorbing the remainder of the shared cost.

3. Coordination with Expanded Enumerative Survey Program. The June 1 Enumerative Survey covering numbers of farms, land use, crop acreages, and livestock numbers included on an operational basis, 11 Southern States and 9 North Central States in 1962. In late June 1962 expanded survey totals were available for these States for use in the preparation of crop acreage estimates. The enumerative survey results were reviewed along with indications from the regular surveys, acreage allotments and other check data. The Crop Reporting Board estimates for major crops varied from the individual State enumerative survey expansions but generally fell within the range of the probable error of the survey. Further experience with the enumerative survey data will be necessary before the Crop Reporting Board can rely fully on the indications.

4. Cattle on Feed. Alabama and Georgia were added to the quarterly program October 1, 1961, bringing the total States in this program to 28 (North Central States, Western States, Pennsylvania, Oklahoma, Texas, Alabama and Georgia). Colorado was added to the monthly cattle-on-feed program which now covers 3 States (Arizona, California, and Colorado); and the annual January 1 cattle-on-feed survey was expanded to include New York and Maryland.

5. Inauguration of cane and bushberry estimates. Beginning with the 1962 crop season a program of forecasts was inaugurated covering black raspberries, red raspberries, blackberries, loganberries, boysenberries, and youngberries in Oregon, and black raspberries, red raspberries, blackberries, and currants in Washington. The estimating program consists of an April estimate of acreage for harvest, one forecast of production for each berry crop made prior to harvest and an end-of-season estimate of production, utilization and value. The fore-

cast surveys are based on a probability sample of growers, stratified by size groups.

6. Reinstatement of Horticultural Specialties Report. The annual reports for selected States on production and sales for cut flowers and for nursery products were reinstated after the lapse of a year. This program of estimates which was begun in 1956-57 was not conducted during 1960-61 when the resources and personnel allocated to this project were used in a cooperative project with the Bureau of the Census in obtaining as complete a census as possible for all horticultural specialties in all States for the 1959 calendar year. The 1961-62 survey was conducted in six States (California, Colorado, Iowa, Illinois, Florida, and New York). Analysis and summarization of the data were handled by automatic data processing which greatly facilitated completion of the survey.

7. Durum wheat stocks. For several years the Department had been requested to include separate estimates for durum wheat in the quarterly grain stocks report. Effective with the January 1, 1962 Grain Stocks Report, estimates of farm and off-farm stocks data were modified to provide separate stocks estimates for durum. The initiation of these estimates was favorably received by the industry.

8. Cotton Acreage-March Intentions. Estimates of cotton acreage intended to be planted by farmers were instituted with the 1962 March Intentions Report. Cotton was included in the intentions report as a result of the removal of statutory limitations on the publishing of cotton acreage intentions, and the establishment of the Enumerative Survey Program on a full operating basis in Southern States.

9. Report on Forest Products Pricing. The Appropriation Act for 1962 called for a report by the Statistical Reporting Service on the feasibility and practicability of establishing a price reporting service for forest products. Accordingly, a report was prepared in cooperation with the Forest Service and submitted to the Congress in February 1962. This report was published by the Senate Committee in a Supplement to the Hearings before the Subcommittee of the Committee on Appropriations, United States Senate, 87th Congress, Second Session, on H.R. 12648. Included in the report was a resume of timber price information currently available and an evaluation of it, based on interviews with forest products industry personnel and representatives of public agencies with responsibilities to forest landowners. A further evaluation was obtained from a questionnaire mailed to approximately 9,200 recipients of timber price reports in 17 States. The general consensus of those interviewed and those returning the questionnaire was that timber price reports currently published serve a useful purpose, provide information not otherwise readily available, and represent with reasonable accuracy prices actually paid for timber products. In addition, the report discussed the need for a timber price reporting service and its feasibility, and presented in general terms a Federal program of timber price reporting, together with cost estimates.

10. Improving Milk Production Statistics. With a rapidly increasing percentage of total milk being produced in large commercial herds, new procedures are needed to furnish more accurate indications of monthly production per cow. Plans are being developed with individual field offices to meet this need with new procedures such as weighting of monthly milk-per-cow indications by size groups and in some States, initiating monthly surveys covering commercial herds. Alternatives in publication policy are being studied to provide a more accurate

indication of monthly milk per cow than the first-of-month rate reported by crop reports which is now being published by States.

11. Minnesota-Wisconsin Manufacturing Milk Price. In August, 1961, a program was started in Minnesota and Wisconsin to expedite milk price collection and reporting procedures so that monthly milk price data for these States could be published a month earlier than for other States. Earlier release of this information was needed in particular by the Dairy Division, Agricultural Stabilization and Conservation Service, for use in establishing prices for specified classes of milk in selected Federal order milk marketing areas.

Initially, the 2-State average price was used as the basic formula price for all classes of milk in the Chicago area. Its use was rapidly expanded to other marketing areas and by the end of fiscal year 1962 it was being used in 38 Federal order markets. Effective August 1, 1962, it was adopted in 30 additional markets and 1 more was added on September 1. Definite plans are being made to add 3 more, which will mean that 72 of the 82 Federal order milk marketing areas will be using the 2-State average manufacturing milk price as the basic formula price.

12. Prices Received for Turkey Eggs for Hatching. A survey on prices received for turkey hatching eggs covered 19 States that accounted for about 90 percent of all turkeys tested in both 1952 and 1960. Statisticians from SRS field offices personally contacted practically all turkey hatcheries in all but 3 of the important States. In these 3 States they visited all large hatcheries and a random sample of smaller hatcheries, taking into consideration size and geographic location of the plants. The survey also included large flock owners who shipped turkey eggs to hatcheries in other States, and large dealers who purchased turkey eggs for shipment in a few States where this practice was important.

Data obtained were fairly comprehensive and represented a fair cross section of turkey hatching egg sales in the United States. State data were combined into U.S. averages for each year on the basis of available information on sales of such eggs. National annual average prices for each year, 1951-61, and the mid-December, 1961, price were published in the December 1961 issue of Agricultural Prices, together with the current parity price, and the current price as a percent of parity.

13. Issuance of Prices Paid Bulletin. A bulletin was issued which brought together for the first time under one cover the complete series of United States averages of prices paid by farmers for commodities purchased, as used in the construction of the Parity Index from 1910 through 1960. The National price series used in the construction of prices paid indexes have not appeared in their entirety in one volume previously and this publication, therefore, fills a need expressed by many people interested in the actual retail price series that contribute to month-to-month changes in the Parity Index.

14. Telephone and Electricity Survey. A few changes were made in the processing phase of the 1962 telephone and electricity survey. The complete code for each reporter was standardized and placed on address punch cards along with his name and address. The data were printed on two sticker lists and used for mailing first and second requests. The coding of the questions and layout for punching the survey data on input cards was virtually unchanged from 1961. The program needed only to be revised to handle the new code arrangement given to each report

and input card. In 1961 the data were summarized in the computer program by size of farms. The number of farms for each size group, as determined on the basis of 1960 Census distributions, was used as weights in computing weighted survey averages for electricity. The individual codes given each reporter in 1962 will make possible a comparison of returns on electric rates for identical farmers, within each farm size group next year.

15. Number of Farm Estimates Revised. Statistical Bulletin No. 316--June 1962--presented revised estimates of number of farms for the years 1951-59 as well as the entire series by States beginning in 1910. Definitions used, which were established in agreement with other agencies place estimates for 1954 and following years on the definition used in the 1959 Census of Agriculture. This work had been delayed for results of Bureau of Census studies of 1959 Census coverage of farms and farm land included in Soil Bank contracts. Estimates of land in farms 1950-59 by States were also published in Statistical Bulletin 316. A publication issued in February 1962 presented estimates of number of farms and land in farms by States through 1961.

16. Preparation and Publication of Monthly Prices Received by Farmers for Fresh Vegetables. For several years the Crop Reporting Board has published monthly prices for the United States only for the various vegetable crops. In recent years there has been a demand for a published series of monthly prices by seasonal groups and by States. Statistical Bulletin No. 318, published in June 1962, included monthly prices for 1954 through 1961 by crops, by States, and for seasonal groups and the United States. Such price series will be very helpful to those who are interested in the price statistics of the various vegetable crops, and will give a good basis for making studies, to better understand the price and marketing statistics of such vegetables. In the future, monthly vegetable prices, by States, will be published as a supplement to the regular Price Report.

17. Egg products report. Arrangements were made with the Poultry Division, AMS to receive during the next fiscal year data on production of egg products from plants under Federal inspection. This arrangement avoids duplication of effort on the part of the plants in sending to the Department two reports on production. Approximately 70 percent of the liquid eggs produced in the United States during the fiscal year 1961-62 was produced in plants under Federal inspection. Data for non-inspected plants will continue to be collected by mailed questionnaires.

18. Sugar crop statistics. Statistics on sugar crops held more than usual interest during the past year. With no sugar being brought into the United States from Cuba and the expiration of the Sugar Act of 1948, the sugar situation remained in the spotlight. Sugar crop statistics were widely used in preparing background data for new sugar legislation which was passed this year. Background work incident to including Hawaiian sugarcane statistics for 1962 and subsequent years in the current estimating program was completed. Separate data will be shown for each State along with totals for the Mainland and the United States. Statistical bulletins showing historical series of State and United States data were published for maple products and for sugarcane for sugar, seed and syrup.

19. Biennial survey of warehouse capacity. The 21st biennial survey of the capacity of refrigerated warehouses in the United States was completed in June. A preliminary report was released in July 1962 and a more detailed and final report was released in August. This is a continuation of a survey program initiated in 1921 which is providing information of wide use both to government and non-government analysts.

20. Wheat pasture area inventories. As a supplement to the wheat pasture reports for Kansas, Oklahoma, and Texas, cattle inventory estimates for January 1, 1962 by classes for the aggregate wheat pasture area of these three States, were made and included, in the January 1, 1962 Inventory Report. Also, this report included for the first time separate estimates of sheep and lambs on feed on wheat pastures for western Kansas, western Oklahoma and the Texas panhandle.

21. Objective fruit counts and measurements. In an effort to improve estimates and the methodology used, objective counts and measurements have been expanded to include, for the first time almonds in California and sour cherries in New York, Pennsylvania, and Wisconsin. In California, objective counts and measurement of almonds were made during late April and early May 1962. The data will provide a base to be used in computing a ratio estimate for the 1963 crop.

22. Expanded coverage of milk sales and consumption data. In May 1962, data on sales and per capita consumption of 12 fluid items were published for 79 marketing areas for the period 1950-59. The data for 1960 and 1961 were published in the May issue of the "Fluid Milk and Cream Report". Similar data for current years will be published annually in the May issue in the future. Estimates of per capita consumption for recent years were revised for some areas to bring them into line with population data from the 1960 Census. The estimated population of the marketing areas for which 1961 sales data are available represented 65 percent of the non-farm population of the United States.

23. Reports issued during calendar year 1962 by the Crop Reporting Board, by commodity groups.

Type of Reports	Number of Reports
Cotton Production	7
Crop Production, including prospective plantings, crop value, annual summaries and seed crops	76
Fruits and Vegetables	87
Milk and Dairy, including 204 issued from Chicago	243
Livestock and Livestock Products, including 13 from the Western Livestock office	72
Poultry and Eggs, including 52 broiler and 52 turkey	177
Miscellaneous Reports	47
TOTAL	709

24. Schedule of Reports. The following schedule shows the release dates for the crop and livestock reports due to be issued in calendar year 1963.

1963 RELEASE DATE CALENDAR 1963

CROP, LIVESTOCK AND LIVESTOCK PRODUCTS REPORTS

Release Hours: Cotton Production - 11:00 A. M. All Livestock Reports Except Commercial Slaughter - 12:00 Noon
Cold Storage Reports - 2:00 P. M. Cranberry Production - 1:00 P. M.
All Other Listed Reports - 3:00 P. M.

DAY	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	DAY
1	Holiday		Chickens & Eggs-Layers & Egg Prod., Monthly Rev.	Poultry Slaughter & Processing; Regional Cold Storage Holdings		Saturday	Fruits, Non-Citrus -Prod., Use & Value, Part II*; Poultry Slaughter & Processing	Soybean County Estimates	Sunday	Poultry Slaughter & Processing		Sunday	1
2	Poultry Slaughter & Processing	Saturday	Saturday	Turkeys-Farm Prod., Disp., Cash Receipts, & Gross Income		Sunday		Tree Nuts-Prod., Use & Value	Holiday		Saturday	Poultry Slaughter & Processing; Apples by Varieties	2
3		Sunday	Sunday		Fruits, Non-Citrus -Prod., Use & Value, Part I*			Saturday	Rice Stocks		Sunday		3
4	Celery Report	Shipments of Stocker & Feeder Cattle & Sheep into Selected N.Cent. Sts.-Monthly 1962 Com, Broiler Prod. in 22 States; Celery Report	Broiler Chicks Placed Weekly-22 States, Rev.; Celery Report; Poultry Slaughter & Processing	Celery Report	Saturday	Celery Report	Holiday	Sunday	Celery Report	Citrus Fruits-Prod., Use & Value; Celery Report	Celery Report	Celery Report	4
5	Saturday				Sunday		Celery Report	Celery Report		Saturday			5
6	Sunday			Saturday	Field & Seed Crops -Prod., Disp. & Value; Celery Report		Saturday	Field Seed Stocks	Sweetclover Seed	Sunday			6
7				Sunday		Range & Livestock	Sunday	Crimson Clover Seed (O) & Stocks of Ryegrass	Saturday			Saturday	7
8		Cattle & Calves on Feed-Colo., Ariz. & Calif.; Range & Livestock	Cattle & Calves on Feed-Colo.,Ariz. & Calif.; Range & Livestock; Layers, Potential Layers & Rate of Lay, 1st of Month, Rev.		Cotton Production-Revisions	Saturday	Cotton Storage (Planted)	Cotton Production; Range & Livestock; Potatoes & Sweetpotatoes-Disp.	Sunday	Cotton Production; Hemp Production & Stocks	Cotton Production; Cattle & Calves on Feed, Colo., Ariz. & Calif.; Range & Livestock	Sunday	8
9	Range & Livestock	Saturday	Saturday	Range & Livestock	Range & Livestock; Cattle & Calves on Feed-Colo., Ariz. & Calif.	Sunday	Range & Livestock	Crop Production, Farm Labor; Sep.-Fresh Market; Veg.-Processing	Cotton Production; Cattle & Calves on Feed-Colo., Ariz. & Calif.; Potatoes-Util.	Range & Livestock	Saturday	Cotton Production	9
10	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Sunday	Sunday	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Saturday	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Sunday	Crop Production; Farm Labor; Veg.-Fresh Market; Cattle & Calves on Feed, Colo., Ariz. & Calif.	10
11	Sheep & Lambs on Feed, Jan. 1; Milk Production	Crop Production; Farm Labor; Veg.-Fresh Market	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing	Milk Production	Saturday	Cattle & Calves on Feed, Colo., Ariz. & Calif.; Milk Production	Orchardgrass & Tall Fescue (Southern States) Seeds; Milk Production	Sunday	Range & Livestock; Milk Production	Red Clover & Alsike Clover Seeds; Milk Production	Holiday	Milk Production; Range & Livestock	11
12	Saturday		Milk Production		Sunday	Blue Stem & Range Pastures		Cattle & Calves on Feed, Colo., Ariz. & Calif.; Milk Production; Redtop, Marion Ky. Bluegrass & Fescues (West. Sts.) Seeds		Saturday	Crop Production; Farm Labor; Veg.-Fresh Market; Veg.-Processing		12
13	Sunday	Poultry Slaughter; Inventory, Jan. 1; Turkey Breeder Hens, Jan. 1; Potato Stocks; Milk Production	Sheep & Lambs on Feed & Early Lamb Crop; Potato Stocks	Saturday	Milk Production		Saturday		Wheat Seeds; Hatchery Prod.	Sunday	Sheep & Lambs on Feed; Wheat Pasture; Milk Production	Wheat Pasture; Hatchery Prod.	13
14				Sunday		Pullet Chicks for Broiler Sup. Flocks; Hatchery Prod; Cold Storage	Sunday		Saturday	Wheat Pasture		Saturday	14
15	Pullet Chicks for Broiler Sup. Flocks; Cold Storage; Potato Stocks; Chick Stocks	Pullet Chicks for Broiler Sup. Flocks; Hatchery Prod.; Cold Storage	Pullet Chicks for Broiler Sup. Flocks; Hatchery Prod. (Incl. Rev. by Months); Cold Storage	Pullet Chicks for Broiler Sup. Flocks; Cold Storage	Annual Naval Stores; Pullet Chicks for Broiler Sup. Flocks; Cold Storage	Saturday	Pullet Chicks for Broiler Sup. Flocks; Cold Storage	Vetch Seeds; Pullet Chicks for Broiler Sup. Flocks; Cold Storage	Sunday	Pullet Chicks for Broiler Sup. Flocks; Cold Storage	Pullet Chicks for Broiler Sup. Flocks; Hatchery Prod.; Cold Storage	Sunday	15
16	Hatchery Prod.; Cattle & Calves on Feed (Incl. quarterly Rev.)	Saturday	Saturday	Hatchery Prod.; Cash Receipts Acreage; Cattle & Calves on Feed		Sunday	Hatchery Prod.	Hatchery Prod.; Fluid Milk & Cream	Pullet Chicks for Broiler Sup. Flocks; Cold Storage	Hatchery Prod.	Saturday	Pullet Chicks for Broiler Sup. Flocks; Cold Storage	16
17	Turkeys & Chickens Tested; Fluid Milk & Cream	Sunday	Sunday	Turkeys & Chickens Tested; Fluid Milk & Cream	Naval Stores; Hatchery Prod.; Turkeys & Chickens Tested; Fluid Milk & Cream	Turkeys & Chickens Tested	Cattle & Calves on Feed; Turkeys & Chickens Tested	Saturday	Turkeys & Chickens Tested; Fluid Milk & Cream	Alfalfa & Sudangrass Seed; Cattle & Calves on Feed; Turkeys & Chickens Tested	Sunday	Turkeys & Chickens Tested; Fluid Milk & Cream	17
18	Naval Stores; Turkeys-Number Raised Intentions	Naval Stores; Turkeys & Chickens Tested; Fluid Milk & Cream	Naval Stores; Turkeys & Chickens Tested; Fluid Milk & Cream	Naval Stores	Saturday	Naval Stores; Fluid Milk & Cream	Naval Stores; Ky. Bluegrass Seed; Fluid Milk & Cream	Sunday	Naval Stores	Naval Stores; Turkey Breeder Hen Intentions; Fluid Milk & Cream	Naval Stores; Turkeys & Chickens Tested; Fluid Milk & Cream	Crop Prod.-Annual Summary; Crop Values-Season Av. Price & Value; Annual Sum.-Seeds (Incl. Lespedeza & Mustard); Annual Sum.-Veg. Fresh & Process.; Potato Stocks	18
19	Saturday			Hay Stocks, Disp. & Income; Veg.-Processing	Sunday			Naval Stores; Turkeys & Chickens Tested	Red Clover Seeds; Pig Crop	Saturday		Winter Wheat & Rye Seedings; Naval Stores	19
20	Sunday	Calf Crop; Milk Prod. & Dairy Products An. Sum.-Summary	Prospective Plantings; Hop Stocks	Saturday		Sour Cherries Prod. & Util.; Cut Flowers-Prod., Sales; Nursery Products-Prod. & Sales	Saturday	Cranberries Indicated Prod.	Hop Stocks	Sunday			20
21		Lamb Crop	Vegetable Seed Acreage & Prod.; Pig Crop	Sunday		Pig Crop; Mohair Prices; Wool Prices; Veg.-Processing	Sunday		Saturday			Saturday	21
22		Holiday		Chickens & Eggs, Incl. Com. Broiler-Prod., Disp. & Income		Saturday	Calf Crop; Chickens-Number Raised, Prel. Est.; Veg.-Processing	Veg. Seed Stocks	Sunday			Sunday	22
23		Saturday	Saturday		Veg.-Processing	Sunday	Lamb Crop	Peanut Stocks & Processing; Timothy Seed			Saturday	Pig Crop (Incl. Dec. 1 Inventory of Hogs)	23
24	Stocks of Grain in All Positions; Rice Stocks; Peanut Stocks & Processing	Sunday	Sunday	Stocks of Grain in All Positions; Rice Stocks; Peanut Stocks & Processing	Peanut Stocks & Processing; Shipments of Stocker & Feeder Cattle & Sheep; Egg Products-Liquid, Frozen, Solids Prod.	Peanut Stocks & Processing	Stocks of Grain in All Positions; Peanut Stocks & Processing; Bush Berries Prod.	Saturday	Peanut Stocks & Processing	Stocks of Grain in All Positions; Rice Stocks; Peanut Stocks & Processing	Sunday	Peanut Stocks & Processing	24
25	Shipments of Stocker & Feeder Cattle & Sheep; Egg Products-Liquid, Frozen, Solids Prod.	Peanut Stocks & Processing; Shipments of Stocker & Feeder Cattle & Sheep; Egg Products-Liquid, Frozen, Solids Prod.	Peanut Stocks & Processing; Shipments of Stocker & Feeder Cattle & Sheep; Egg Products-Liquid, Frozen, Solids Prod.	Shipments of Stocker & Feeder Cattle & Sheep; Egg Products-Liquid, Frozen, Solids Prod.	Saturday	Shipments of Stocker & Feeder Cattle & Sheep; Egg Products-Liquid, Frozen, Solids Prod.	Egg Products-Liquid, Frozen, Solids Prod.; Shipments of Stocker & Feeder Cattle & Sheep	Sunday	Egg Products-Liquid, Frozen, Solids Prod.	Shipments of Stocker & Feeder Cattle & Sheep; Egg Products-Liquid, Frozen, Solids Prod.	Peanut Stocks & Processing; Shipments of Stocker & Feeder Cattle & Sheep; Egg Products-Liquid, Frozen, Solids Prod.	Holiday	25
26	Saturday			Livestock Slaughter-Com. Slaughter, Com. Meat & Lard Prod., Farm & Total Prod.	Sunday	Bush Berries, Prod.	Thorn Wool Pr.; Honey-Colonies of Bees, July 1	Shipments of Stocker & Feeder Cattle & Sheep; Egg Products-Liquid, Frozen, Solids Prod.	Shipments of Stocker & Feeder Cattle & Sheep	Saturday		Egg Products-Liquid, Frozen, Solids Prod.	26
27	Sunday	Wool Prod. & Value; Mohair Prod. & Value	Ryegrass Seed Intentions	Saturday		Lupine & Crimson Clover Seeds (Southern States)	Saturday			Sunday		Supply & Disappearance of Field Seeds; Shipments of Stocker & Feeder Cattle & Sheep	27
28	Honey Annual Summary	Agr'l. Prices (Incl. Veg. Price Rev.); Evap., Condensed & Dry Milk; Com. Livestock Slaughter & Meat Prod.		Sunday		Agr'l. Prices; Com. Livestock Slaughter & Meat Prod.; Evap., Condensed & Dry Milk	Sunday		Saturday		Holiday	Saturday	28
29			Agr'l. Prices; Com. Livestock Slaughter & Meat Prod.; Evap., Condensed & Dry Milk	Meat Animals-Farm Prod., Disp. & Income; Poultry Slaughter & Processing	Poultry Slaughter & Processing	Saturday		Smooth Bromegrass, Crested Wheatgrass & Bentgrass and Austrian Winter Pea Seeds; Turkeys Raised; Poultry Slaughter & Processing	Sunday		Agr'l. Prices; Com. Livestock Slaughter & Meat Prod.; Evap., Condensed & Dry Milk	Sunday	29
30	Poultry Slaughter & Processing; Meat Meal & Tankage		Saturday	Agr'l. Prices; Com. Livestock Slaughter & Meat Prod.; Evap., Condensed & Dry Milk	Holiday	Sunday	Poultry Slaughter & Processing; Prod. of Manufactured Dairy Products; Meat Meal & Tankage	Agr'l. Prices; Com. Livestock Slaughter & Meat Prod.; Evap., Condensed & Dry Milk	Agr'l. Prices; Com. Livestock Slaughter & Meat Prod.; Evap., Condensed & Dry Milk	Poultry Slaughter & Processing	Saturday	Agr'l. Prices	30
31	Agr'l. Prices; Com. Livestock Slaughter & Meat Prod.; Evap., Condensed & Dry Milk		Sunday		Agr'l. Prices; Com. Livestock Slaughter & Meat Prod.; Evap., Condensed & Dry Milk		Agr'l. Prices; Com. Livestock Slaughter & Meat Prod.; Evap., Condensed & Dry Milk	Saturday		Agr'l. Prices; Com. Livestock Slaughter & Meat Prod.; Evap., Condensed & Dry Milk		Certified Seed Potatoes; Com. Livestock Slaughter & Meat Prod.; Evap., Condensed & Dry Milk	31

* Part I — Apricots, Sweet & Sour Cherries, Figs, Grapes, Nectarines, Peaches, Pears, Persimmons, Plums, Pomegranates & Prunes. Part II -- Apples, Avocados, Cranberries, Dates & Olives. (O)-Oregon

-- LOCK-UP REPORTS

II. STATISTICAL RESEARCH AND SERVICE

Current activities and trends: The two broad categories of statistical and research efforts under this activity play a significant role in the Agency's and the Department's exercise of its responsibilities. These categories encompass: (1) close support and liaison activities for the improvement of the agency's long-range crop and livestock estimates for which the major portion of the resources are directed, and (2) certain review, coordination, clearance and survey responsibilities for the Department.

The first category includes research on the development of improved methods or techniques pertinent to the collection and analysis of crop and livestock data, as well as research leading toward more effective adaptation and utilization of automatic data processing in the development of these estimates. The Department's responsibilities referred to in the second category entails the review of all proposed statistical forms and survey plans requiring Bureau of the Budget clearance; coordination of all inter and intra-departmental programs for the improvement of agricultural and related statistics. Under this activity, the agency also conducts special surveys, particularly with respect to opinions and attitudes, relating to the marketing of agricultural products.

Sample Survey Procedures in the Western States. In order to sample efficiently for both crops and livestock, a delineation of land area according to broad classes of land use is being completed in Western States (Washington, Oregon, California, Arizona, New Mexico, Colorado, Utah, Nevada, Idaho, Montana, and Wyoming). There are large areas of non-cultivated land which have no agricultural use other than grazing, and in such areas there is considerable variation in the grazing season. Intermixed with the non-cultivated land are scattered areas or fields of cultivated land devoted to crops intended primarily for feeding. Base materials prepared in the State offices are being assembled into a set of sampling materials which will allow controls over sample allocation. This should materially increase sampling efficiency in this region.

Automatic Data Processing. Explorations of the importance of automatic data processing as a means of achieving greater accuracy, improved techniques, and more thorough analysis of data -- all of which lead to a better product for the users of agricultural statistics -- have been continued. These explorations have involved studies of typical applications, including costs of manual and automatic data processing systems. Also, valuable experience has been acquired from use of ADP for selected projects.

Because the overall ADP field continues to expand rapidly, one phase of the agency's research-developmental type work must necessarily be devoted to keeping abreast of significant developments in this area. One aspect of this work has been directed toward gaining experience in processing statistical data on another government agency's larger and more modern electronic computer similar to equipment which the Statistical Reporting Service plans to acquire at some future date. In general, the studies made reaffirm that the capabilities of ADP provide a great potential for making significant improvements in the agency's crop and livestock estimates work.

Selected examples of recent progress:

1. Development of Improved Forecasts for the Yield of Irrigated Cotton. A yield forecasting model is being developed from studies in Arizona, New Mexico and

California. One of the principal problems centers around predicting the survival of young fruit on August 1 and September 1. The survival of young fruit present at any particular time depends to a large extent on the stage of development for the crop. Using weekly data available from these studies, an index of stage of of development based on the relation of the mature fruit to total fruit has been devised which indicates a basic component to be used in the forecasting model. A second area of concern in these studies has been forecasting the boll weight from a small portion of the open bolls picked during the early part of the harvest season. Work to date indicates approximately 25 percent of the crop must be harvested before the early season boll weights can be helpful in forecasting the weight for the entire crop.

2. Corn. Considerable progress has been made in refining the procedures for forecasting the weight of grain per ear. The dry weight of a mature grain used in conjunction with moisture content as a measure of the state of development has provided satisfactory forecasts of grain weight under conditions of substantial year to year change. Forecasts of the number of ears to be formed have been improved by improving the definition of an ear of corn with grain. Computer programs have been written which convert survey data into forecasts and estimates of yield, and which, also, provide analyses needed for refining the relationships upon which the forecasts are based.

3. Winter Wheat. Forecasts of the number of wheat heads to be formed have been improved by increasing the precision of the counts of tillers, both living and dead. Forecasts of the weight of grain per head have also been improved. Spikelet counts made by field samplers have been graduated by counts made in a central laboratory. The number of spikelets present in very young heads has proved to be a good indicator of the final head weight at harvest. Procedures were developed for using the fraction of fields found to be harvested at the time of making a survey for providing sample estimates of acreages remaining for harvest. Laboratory procedures for measuring head length, counting spikelets, and weighing grain were simplified and should result in better laboratory work. Computer programs have been written for analyzing the data collected as well as for computing the forecasts.

4. Soybean Yields in the North and South Central States. Research studies were started in Mississippi and Arkansas as well as being continued in the North Central States. The fruiting characteristics and period of the soybean plant in Mississippi and Arkansas are sufficiently different that a new forecasting model will be required for August 1 forecasts. For the later months, differences are also expected. While the method of forecasting bean weight is not satisfactory, some refinements have been introduced into the handling of the sample pods submitted to the laboratories which will make direct bean weight comparisons easier. Some modifications of the field counting procedures were made to provide informatin on pods per plant with somewhat greater accuracy. Methods used in forecasting pod and bean numbers seem to be working well with additional refinements being introduced as the result of continued analysis over different crop situations.

5. Statistical Clearance and Consultation. In serving as the designated Department's liaison between the Bureau of the Budget and all agencies of the Department on matters requiring Federal Reports Act clearance, 593 requests for clearance of forms and reporting requirements were received during the fiscal year 1962. Consultation with the Bureau of the Census, Bureau of Labor Statistics, and other statistical agencies is being carried on to facilitate coordination and improvement of statistical programs. This work entailed the preparation of special

reports concerning the Department's statistical activities, and participation in special seminars and workshops for the improvement of survey methods.

6. Consumer Acceptance of Canned Precooked Bulgur. Because of the need for finding additional ways to increase wheat consumption, the market potential for a new canned precooked wheat, developed by the Department's Western Utilization Research Laboratory, was investigated. The test product was sold experimentally in one city; consumer purchases and reactions to the product were studied. Survey results indicate that homemakers who had used the product appeared satisfied with it. Restaurants in the area were also contacted to ascertain their acceptance of and attitudes toward the bulgur. Although its use was confined primarily to some of the larger restaurants or cafeterias and the total number of restaurants studied was small, among these users there appeared to be general satisfaction with the test product, especially when used as a filler or meat extender.

7. Frozen French-Fried Potatoes. A report was published on an experiment conducted to determine household consumers' ratings of four different packs of frozen french fried potatoes containing varying amounts of irregular pieces. This study was conducted at the request of the Fruit and Vegetable Division of the AMS to aid in the development of standards for grades. Results indicate that homemakers tended to rate a pack higher and to prefer it more as it became more uniform in size and composition, and that it is probably somewhere between the 15- and 30- percent levels that the proportion of irregular pieces may become objectionable to consumers.

8. Consumer reaction to Natural Color and Color-added Oranges. A study was completed which measured consumer discrimination and preferences for natural color and color-added oranges, as displayed in retail stores. Purchasers were questioned about their choice of oranges and the reasons behind it, and about their awareness of and attitudes toward color addition in oranges. A sizable majority of the shoppers interviewed said they would have bought the juice-type orange on the day of the interview regardless of whether it had color added or not. Those who thought adding color to oranges was a good idea or who felt it made no difference thought that the color gave the fruit a better appearance, had no effect on flavor, and believed that color would not be used if it were harmful to the consumer.

9. Fabrics and Fibers for Passenger Cars. A study was made, and a final report is in preparation, to determine the preferences of automobile manufacturers and their use of fibers and fabrics in the interior parts of regular and compact cars. This study was undertaken because the position of natural fibers for such uses has been seriously challenged by synthetic fibers, blends, and plastics; in addition, the upward trend in the production of compact cars has caused a shift in the volume and type of materials used in interiors. Preliminary data indicated that even though there were substantial shifts in specific end uses, cotton's percentage share of the materials used in passenger car interiors was about the same compared with results of a previous study done in 1955.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1962 were actually received or programmed for 1963 and 1964. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in some cases.)

Item	Obligations, 1962	Estimated Obligations, 1963	Estimated Obligations, 1964
Allocations and Working Funds (Advances from other Agencies):			
Agency for International Development:			
Training services	$112,920	$94,600	$97,700
Technical consultation and support	- -	18,530	19,100
Administrative expenses	6,473	9,870	10,200
Total, Agency for International Development	119,393	123,000	127,000
Consolidated Working Fund, General, Agriculture - For work under the Area Redevelopment Program	4,495	11,100	31,000
Total, Allocations and Working Funds	123,888	134,100	158,000
Trust Funds:			
Miscellaneous Contributed Funds - For cooperative work with State governments and private associations in determining supplies of agricultural products	8,000	4,200	- -
Obligations under Reimbursements from Governmental and Other Sources	1,272,153	1,202,235	1,554,916
TOTAL, OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS	1,404,041	1,340,535	1,712,916

PASSENGER MOTOR VEHICLES

The 1964 Budget Estimates propose the addition of six passenger motor vehicles and the replacement of 5. The passenger motor vehicles of the Statistical Reporting Service are all located in the field at various State Offices. They are used primarily by professional statisticians, supervisory enumerators and other field employees in conducting enumerative surveys and related work in connection with the preparation of crop and livestock estimates. The use of common carriers in this type of work is obviously not satisfactory in that it is frequently necessary to visit within a short period of time numerous farms and various commercial establishments within a specified geographical area.

The six additional passenger motor vehicles requested for 1964 are necessary to meet the transportation demands of the expanded crop and livestock estimates program in the following offices:

Lincoln, Nebraska	Springfield, Illinois
West Lafayette, Indiana	Helena, Montana
Madison, Wisconsin	Cheyenne, Wyoming

The five passenger motor vehicles proposed for replacement meet the "60,000 mile-6 year" standard prescribed by the General Services Administration with respect to replacements.

Age and mileage data for passenger motor vehicles on hand as of June 30, 1962, are indicated below:

Age Data			Mileage Data		
Age-Year Model	Number of Vehicles	Percent of Total	Lifetime Mileage (thousands)	Number of Vehicles	Percent of Total
1956 or older	1	4	80-100	4	16
1957	4	17	60-80	6	25
1958	2	8	40-60	6	25
1959	7	29	20-40	4	17
1960	3	13	Under 20	4	17
1961	5	21			
1962	2	8	TOTAL	24	100
TOTAL	24	100			

AGRICULTURAL MARKETING SERVICE

Purpose Statement

The Agricultural Marketing Service was established November 2, 1953 under authority of Section 161, Revised Statutes (5 U.S.C. 22), Reorganization Plan No. 2 of 1953, and other authorities. The Service aids in advancing the orderly and efficient marketing and the effective distribution of products from the Nation's farms. The domestic marketing and distribution functions of the Department are centered primarily in this Service.

The Agricultural Marketing Service carries on the following principal programs:

1. Marketing Research and Service. These activities contribute to the efficient and orderly marketing of agricultural commodities and include:

   a. marketing research directed toward the development of practical answers to problems encountered in moving agricultural products from the farm to the consumer relating to improved product quality, and improved equipment and facilities;

   b. market news service to provide timely and reliable market reports on all major agricultural commodities to help farmers determine when, where, and at what price to sell their products;

   c. poultry inspection to assure that all poultry products moving in interstate and foreign commerce are wholesome;

   d. other inspection, grading, classing, and standardization services to develop standards of quality and condition for agricultural commodities and to use them in providing an impartial inspection, classing, and grading service;

   e. regulatory activities covering administration of laws aimed at protecting farmers and others from financial loss resulting from deceptive, careless, and fraudulent marketing practices, and to provide assistance in obtaining and maintaining equitable transportation rates and services on farm supplies and products.

2. Payments to States. The Service administers the matched fund program for marketing activities carried out through cooperative arrangements by State Departments of Agriculture, Bureaus of Markets, and similar State agencies.

3. Special Milk Program. Assistance is provided to States for making reimbursement payments to eligible schools and child-care institutions which inaugurate or expand milk service in order to increase the consumption of fluid milk by children.

4. School Lunch Program. Federal assistance is provided to States, Puerto Rico, Virgin Islands, American Samoa and Guam for use in serving nutritious lunches to children attending schools of high school grades or under in order to improve the health and well-being of the Nation's children, and broaden the market for agricultural food commodities.

5. Removal of Surplus Agricultural Commodities and Marketing Agreements and Orders. These activities directly or indirectly tend to maintain prices received by farmers and establish and maintain orderly marketing conditions through -

   a. removing from the market surplus agricultural commodities through purchase and donation to eligible recipients, export and diversion payments; distribution of Commodity Credit Corporation donated commodities to eligible outlets authorized under Section 416; and cooperation with the food trade and others to encourage greater consumption of abundant foods;

   b. formulation and administration of marketing agreements and orders.

6. Food Stamp Program. This program, operating on a pilot basis in fiscal year 1963, is aimed at increasing domestic consumption of agricultural commodities by providing increased purchasing power to needy persons through issuance of food coupons.

7. Research under section 104(a) and (k) of P.L. 480. The Service reviews and appraises for technical adequacy Agricultural Marketing Research projects beneficial to the United States which can be advantageously conducted overseas through grants and contracts with foreign research institutions and universities. These projects are carried out through the Agricultural Research Service under the authority of sections 104(a) and (k) of Public Law 480, the Agricultural Trade Development and Assistance Act of 1954, as amended. A discussion of this activity is included in these Explanatory Notes under the appropriation "Salaries and expenses (Special foreign currency program), Agricultural Research Service."

8. Food Management Preparedness. Pursuant to Executive Order 10998 delegating certain defense responsibilities to the Department, the Agricultural Marketing Service is assigned pre-emergency preparedness and emergency operations relating to management of food supplies. This involves developing stand-by plans and programs for the management of the Nation's food supply from the farm through wholesale channels, including coordination with other agencies assigned separate but closely related functions. To the extent possible this work is integrated with other day-to-day operations through the part-time efforts of employees regularly assigned to the agency programs. These efforts are coordinated by a few full-time personnel. Part of this full-time staff is financed by funds allocated from the Office of Emergency Planning.

9. Work Performed for Others. The Agricultural Marketing Service also performs other services for Federal, State and private agencies, on a reimbursable or advance payment basis. These include, among others, the Agency for International Development sponsored foreign visitor training program.

A large part of the program of the Agricultural Marketing Service is carried on through field branch offices of the several Washington commodity and functional divisions in about 225 cities and towns in the various States, Puerto Rico, and Canada.

On November 30, 1962 there were 8,004 full-time employees, distributed 1,354 in the D. C. metropolitan area and the remainder in the field. In addition, there were 1,206 part-time and intermittent employees, primarily in the field. Further, on December 23, 1962, there were transferred to the Agricultural Marketing Service from Agricultural Stabilization and Conservation Service, pursuant to Secretary's Memorandum No. 1520 dated November 15, 1962, 1,232 full-time employees, including 1,121 in the Offices of the Milk Market Administrators. This transfer placed all marketing agreements and orders work in the Agricultural Marketing Service. A substantial portion of Agricultural Marketing Service employment is financed through revenue from fees, charges, or other assessments and through joint financing or other arrangements with States and private cooperators.

		Estimated Available, 1963	Budget Estimates, 1964
Appropriated funds:			
Marketing research and service		$ 40,964,100	$ 42,905,000
Construction of facilities		- -	1,600,000
Payments to States and Possessions		1,425,000	1,425,000
Special milk program	a/	100,000,000	102,000,000
School Lunch program b/		170,000,000	182,000,000
Total, excluding permanent appropriations		312,389,100	329,930,000

a/ Excludes $5,000,000 estimated unobligated balance proposed for transfer to other appropriations for increased pay costs.

b/ Includes transfers of $45,000,000 in 1963 and 1964 from Section 32 funds for purchase of agricultural commodities for distribution to schools participating in the national school lunch program.

Summary of Appropriations, 1963, and Estimates, 1964

Appropriation Item	Estimated Available, 1963 a/	Budget Estimates, 1964	Increase (+) or Decrease (-)
Marketing research and service	$40,964,100	$42,905,000	+$1,940,900
Construction of facilities	- -	1,600,000	+1,600,000
Payments to States and Possessions	1,425,000	1,425,000	- -
Special milk program	a/100,000,000	102,000,000	+2,000,000
School lunch program b/	170,000,000	182,000,000	+12,000,000
Removal of surplus agricultural commodities (30% of customs receipts-permanent) c/	264,880,195	308,183,000	+43,302,805
Perishable Agricultural Commodities Act fund (permanent) d/	728,650	913,000	+184,350
Total	577,997,945	639,026,000	+61,028,055
Deduct permanent appropriations (shown in detail above)	265,608,845	309,096,000	+43,487,155
Total, (excluding permanent appropriations)	312,389,100	e/329,930,000	+17,540,900

a/ Excludes $5,000,000 estimated unobligated balance proposed for transfer to other appropriations for increased pay costs.

b/ Includes $45,000,000 transfer from "Removal of Surplus Agricultural Commodities" in fiscal years 1963 and 1964 respectively.

c/ Excludes transfers out of $53,188,342 and $53,317,000 in 1963 and 1964 respectively. In addition, an unobligated 1962 balance of $300,000,000 is available in fiscal year 1963 and $300,000,000 is estimated to be carried forward into 1964.

d/ In addition, an unobligated balance of $173,579 is available in fiscal year 1963, and $53,579 is estimated to be carried forward in 1964.

e/ In addition the 1964 Budget includes proposed legislation which would provide a direct appropriation of $25 million in 1964 for the Food Stamp Program.

Proposed Transfer in the 1964 Budget Estimates

The budget estimates for 1964 under the appropriation, "Marketing research and servic reflect a proposed transfer in the estimates of $123,400 to the Farmer Cooperative Service in 1964.

This is the amount of the transfer which Agricultural Marketing Service has budgeted in 1963 to finance, in Farmer Cooperative Service, marketing research to improve the efficiency of operations of agricultural cooperatives.

Farmer Cooperative Service has participated in the work authorized by the Agricultura Marketing Act (RMA Title II) from its inception. Since the establishment of Agricultural Marketing Service, Farmer Cooperative Service has continued this marketing activity through yearly fund advances. This proposed transfer in the estimate will simplify budgetary control and administration of the activity, and provide for review of work with cooperatives at one point in the budget.

(a) Marketing Research and Service

propriation Act, 1963	$39,794,500
ctivities transferred in the 1964 estimates to "Salaries and xpenses, Farmer Cooperative Service" for marketing research or farmer cooperatives (Includes $4,000 for increased pay osts)	-123,400
nsferred to "Operating Expenses, Public Buildings Service, eneral Services Administration" for space rental	-42,000
posed transfer, 1963, for increased pay costs	1,335,000
e for 1964	40,964,100
get Estimate, 1964	42,905,000
rease	+1,940,900

SUMMARY OF INCREASES AND DECREASES, 1964

c. providing for an increasing volume of poultry products nspection	+350,000
c. mandatory reimbursement to the Employees Compensation Fund or payments made during fiscal year 1962	+19,700
c. strengthening the administration of the U.S. Warehouse Act	+155,900
duction to reflect estimated savings due to the installation of a centralized data processing operation (MODE) for personnel nd payroll data	-116,700
c. postal costs pursuant to Public Law 87-793	+163,000
c. pay act costs pursuant to Public Law 87-793	+1,369,000
Net increase	+1,940,900

PROJECT STATEMENT

Project	1962	1963 (estimated)	Increase or Decrease: Increased Pay and Postal Costs (P.L. 87-793)	Increase or Decrease: Other	1964 (estimated)
Marketing research	$4,573,620	$4,862,675	+$158,000	-$11,000	$5,009,675
Market news service:					
Cotton and cottonseed	477,322	501,553	+24,976	-1,700	524,829
Dairy and poultry products	932,971	1,030,290	+61,900	-2,200	1,089,990
Fruits and vegetables	1,507,779	1,623,330	+58,460	-4,100	1,677,690
Grain, hay, feed, etc.	324,657	428,184	+13,990	-900	441,274
Leased wire service	481,003	561,928	+7,262	-700	568,490
Livestock, meats and wool	1,293,934	1,472,187	+86,872	-4,400	1,554,659
Naval stores	20,378	25,165	+930	- -	26,095
Tobacco	218,974	244,040	+8,610	- -	252,650
Total, market news service	5,257,018	5,886,677	+263,000	-14,000	6,135,677

(Continued on next page)

Project	1962	1963 (estimated)	Increase or Decrease: Increased Pay and Postal Costs (P.L. 87-793)	Increase or Decrease: Other	1964 (estimated)
3. Inspection, grading, classing and standardization:					
a. Cotton and cottonseed	4,302,140	4,466,113	+238,410	-13,800	4,690,7[illegible]3
b. Dairy products	74,641	97,510	+3,610	-200	100,9[illegible]0
c. Fruits and vegetables	810,880	847,840	+30,320	-2,200	875,9[illegible]0
d. Grain (U.S. Grain Standards Act)	2,314,226	2,556,764	+82,650	-7,200	2,632,2[illegible]4
e. Livestock, meats and wool	366,372	385,235	+17,580	-1,000	401,8[illegible]5
f. Naval stores	29,917	33,587	+1,200	-100	34,6[illegible]7
g. Poultry products grading	278,051	286,294	+7,800	-800	293,2[illegible]4
h. Poultry products inspection	12,787,645	14,330,446	+464,800	+302,800	15,098,0[illegible]6
i. Rice, hay, beans, etc.	79,487	88,421	+3,110	-300	91,2[illegible]1
j. Tobacco	3,096,600	3,153,093	+105,520	-8,500	3,250,1[illegible]3
k. Employees compensation fund	- -	2,300	- -	+19,700	22,0[illegible]0
Total, inspection, grading, classing and standardization	24,139,959	26,247,603	+955,000	+288,400	27,491,0[illegible]3
4. Regulatory activities:					
a. Federal Seed Act	376,089	370,915	+11,900	-1,100	381,7[illegible]5
b. Naval stores and tobacco export permits	19,300	22,120	+1,080	- -	23,2[illegible]
c. Packers and Stockyards Act	1,831,989	2,165,970	+83,390	-5,500	2,243,8[illegible]0
d. Standard Container Acts	13,397	14,160	+540	- -	14,7[illegible]0
e. Warehouse Act	953,632	1,061,770	+44,800	+152,800	1,259,3[illegible]0
f. Freight rate services	185,978	211,640	+9,160	-500	220,3[illegible]0
g. Export Fruit Acts	35,383	34,570	+1,130	- -	35,7[illegible]0
Total, regulatory activities	3,415,768	3,881,145	+152,000	+145,700	4,178,8[illegible]5
5. Administration and coordination of State payments	77,785	86,000	+4,000	-200	89,8[illegible]0
Subtotal a/	37,464,150	40,964,100	+1,532,000	+408,900(1)	42,905,0[illegible]0
Unobligated balance	662,814	- -	- -	- -	- -
Total increased costs (P.L. 87-793):					
Pay costs	- -	(1,331,000)	(+1,369,000)	(+25,600)	(2,725,6[illegible]0)
Postal costs	- -	(112,000)	(+116,000)	(- -)	(228,0[illegible]0)
Total available or estimate	38,126,964	b/ 40,964,100	+1,532,000(2)	+408,900	42,905,0[illegible]0

(Continued on next page)

Project	1962	1963 (estimated)	Increase or Decrease: Increased Pay and Postal Costs (P.L. 87-793)	Increase or Decrease: Other	1964 (estimated)
Transfer in the 1964 estimates to "Salaries and expenses, Farmer Cooperative Service" .	+119,400	+123,400			
Transferred from "Removal of Surplus Agricultural Commodities, Agricultural Marketing Service"	-285,000	- -			
Transferred to "Operating Expenses, Public Buildings Service, General Services Administration"	+78,136	+42,000			
Proposed transfer from "Special milk program, Agricultural Marketing Service," for increased pay costs	- -	-1,335,000			
Total appropriation or estimate	38,039,500	39,794,500			

a/ Represents obligations. Applied costs for 1962 are $37,089,098, primarily, the excess of contractual services and equipment ordered over the amount used in 1962.

b/ Includes $6,700 estimated to be transferred to "Salaries and expenses, General Administration," during fiscal year 1963 for the office of the Inspector General.

INCREASES AND DECREASES

(1) The net increase of $408,900 consists of:

(a) $350,000 for an increasing volume of poultry products inspection.

Need for Increase: The Poultry Products Inspection Act of 1957 requires the Department to inspect for wholesomeness all poultry processed in plants that distribute poultry in interstate or foreign commerce. The law was enacted primarily to protect consumers against diseased and otherwise unwholesome poultry meat.

Poultry production has been increasing steadily and, since enactment of this law, the number of plants and evisceration lines in plants to be provided inspection service has reflected this growth. Although production may fluctuate from time to time because of low prices, the general trend is expected to continue upward.

The following table summarizes the volume of work performed each year beginning in 1959 -- the first full year the program was in operation -- and estimates for 1963 and 1964.

Poultry Inspection Workload
1959 - 1964

Item	1959	1960	1961	1962	1963 (est.)	1964 (est.)
Number of plants, June 30	480	548	871	984	1,076	1,086
Number of lines, June 30	1,140	1,303	1,360	1,411	1,445	1,488
Million pounds inspected	3,411.6	6,972.8	8,236.2	9,023.6	9,785.0	10,180.0
Million pounds condemned:						
Live weight (ante-mortem)	7.9	13.8	16.2	17.6	*	*
Dressed weight (post-mortem)	42.8	115.3	134.3	153.7	*	*
Million pounds certified (Ready to cook)	2,434.5	4,822.6	5,508.7	5,962.0	6,089.0	6,296.0
Chemical compounds reviewed	1,470	937	690	613	650	650
Chemical tests made	921	1,370	859	500	550	550
Pathology specimens examined	1,524	644	316	514	600	600
Proposed labels examined	25,000	15,549	11,578	15,167	17,000	18,000
Man-years required	929.0	1,449.6	1,681.1	1,740.6	1,811.4	1,868.3
Million lbs. inspected per man-year	3.7	4.8	4.9	5.2	5.4	5.4

* Not practicable to estimate

As reflected in this table, significant increases in productivity of poultry inspectors was attained in the first few years of this program. This is attributed to development of an effective system of utilizing advanced planning information on egg and chick placements for programming inspections to the right places at the right time, and to other means for improved manpower utilization.

Although the 1963 estimate reflects a further increase in the pounds inspected per man-year, the rate of increase in worker productivity is leveling off. The 1963 level of output is expected to hold at about the same level in 1964. Accordingly, to provide the required bird-by-bird inspection an increase in manpower is needed in approximately a direct relation to the increase in workload.

Plan of Work: Inspection would be extended to additional eligible plants -- both slaughter and evisceration plants and those engaged in further processing activities. This would be an increase of 102 over the number of plants covered in 1962 and 10 over those expected to be in the program by the end of 1963. Inspection is expected to be needed for 43 additional evisceration lines over 1963. The volume of poultry and poultry products inspected would be increased 1,156 million pounds over 1962 and 395 million pounds -- 4% -- over that expected in 1963. The 1964 estimate is based on a continuing level of 5.4 million pounds of poultry inspection per man-year, the same as in 1963, about 265,000 pounds more per inspector man-year than in 1962.

(b) $19,700 for mandatory reimbursement to the Employees Compensation Fund for payments made during fiscal year 1962.

Section 209 of Public Law 86-767 approved September 13, 1960 requires each agency to include in its budget estimates an amount equivalent to the payments made from the Employees Compensation Fund during the past year for claims of employees of the Agency.

For the Agricultural Marketing Service, the claims paid in fiscal year 1962 totaled about $20,000 more than the $2,306 paid in 1961. Therefore, this increase is included in the 1964 Budget to provide funds for mandatory reimbursement to this fund. An overall explanation of payments to the Employees Compensation Fund is included in the Preface to these Explanatory Notes in Volume 1.

(c) $155,900 for strengthening the administration of U.S. Warehouse Act.

Need for Increase: Warehousing of agricultural commodities is an essential part of a sound marketing program. Products of enormous financial and utilitarian value are entrusted to public warehouses for safe keeping and return. Numerous risks and hazards are inherent in this field of activity. both to the owners of products and to warehouse operators.

During the past fiscal year these risks and hazards were forcibly illustrated. With the redirection in storage occupancy as a result of the feed grain program and other programs, the need for strengthening procedures involving financial analysis, bond determination and warehouse examination, has become evident. Steps designed to strengthen protection under the program have already been taken to the extent possible within available funds.

Within currently available funds, including the increase of $60,000 contained in the 1963 appropriation, some progress is being made toward the achievement of program objectives. However, this increase will fall considerably short of the amount needed to meet program needs of fiscal year 1964.

As a first step in the strengthening of the program, two certified public accountants have been added to the staff to analyze financial statements of warehousemen and to perform related activities.

The increase requested for 1964 would provide for 3 top level supervisory warehouse examiners, and necessary clerical assistance. In addition, the warehouse examiner staff would be increased by 11 examiners -- 10 for grain warehouses and one for cotton. This will permit an increase in the average annual rate of grain warehouse inspection from 1.7 in 1962 to about 2.4. This rate will assure examination of each warehouse twice a year and will provide for additional examinations at those houses where problems are encountered and where more frequent examinations are prudent.

Plan of Work: Review and analysis of warehousemen's operations would be further intensified. A more thorough examination would be possible since the workload per man would be somewhat reduced. The following table illustrates the growth in the grain warehouse activity since 1956.

Fiscal Year	Grain Examiner (man-years)	Licensed Grain Capacity a/ (Million Bushels)	Workload per man-year (Million Bushels)	Average No. of exams. per Grain whse.
1956	24.5	711	29.0	1.84
1957	26.5	774	29.2	1.80
1958	26.0	846	32.5	1.84
1959	28.1	1,030	36.7	1.51
1960	31.5	1,188	37.0	1.89
1961	30.0	1,281	42.7	1.80
1962	31.1	1,309 b/	42.1 b/	1.72
1963 (Est.)	35.0	1,350	38.5	1.90
1964 (Est.)	45.0	1,400	31.1	2.40

a/ As of June 30
b/ Does not include 80 million bushels licensed during most of 1962 but suspended during the last quarter of the year. Actual workload per man-year, therefore, was 44.7 million bushels.

(d) A reduction of $116,700 to reflect estimated savings due to the installation of a centralized data processing operation (MODE) for payroll and personnel data.

An explanation of this reduction is included in the preface to these Explanatory Notes. This reduction is distributed among activities as follows:

Marketing research	-$11,000
Market news service	-14,000
Inspection, grading, classing and standardization	-81,300
Regulatory activities	-10,200
Administration and coordination of State Payments	-200
Total decrease	-116,700

(2) An increase of $1,532,000 for pay and postal costs pursuant to P.L. 87-793, consisting of:

(a) An increase of $1,369,000 consisting of $619,000 to provide for full year costs of the first step of the pay increase pursuant to P.L. 87-793 and $750,000 for fiscal year 1964 cost of the additional increase effective January 5, 1964. (An overall explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1.)

(b) An increase of $163,000 for additional postal costs pursuant to Public Law 87-793. (An overall explanation of increases for postal costs is included in the Preface to these Explanatory Notes in Volume 1.)

STATUS OF PROGRAM

The work under this appropriation consists of research and service to improve and develop the domestic marketing and distribution of agricultural commodities. The work is performed under five activities, as follows:

1. Marketing research
2. Market news service
3. Inspection, grading, classing and standardization
4. Regulatory activities
5. Administration and coordination of State payments.

Current activities, progress and trends are presented below for each of these activities.

1. MARKETING RESEARCH

Current Activities and Trends: Marketing the products produced by the farmers in this country is a vast enterprise. These products pass through a succession of facilities between the farm and consumers. In this process they are subject to deterioration and spoilage, must be transported from one facility to another and handled and re-handled, stored until needed, protected from insect infestation and placed where consumers can get them. Consumers are becoming more discriminating in their demands, with increasing insistence on dependable quality and unquestioned safety in foods. The gap between producer and consumer must be bridged by an efficient distribution system.

Marketing efficiency has improved only about one-half as fast as efficiency on the farm. The marketing research program of AMS is aimed at finding ways to improve the efficiency of the marketing system, hold down marketing costs, and minimize deterioration and spoilage. It focuses attention on two major and important problem areas. One deals with quality, its identification, measurement and improvement and its protection from time of harvest until the commodity is consumed. The other is concerned with developing improve equipment, facilities, work methods, techniques and practices for the efficient handling and movement of the commodity from the farm to the market and to the ultimate consumer.

The marketing research program is making major contributions to the efforts of producers and marketing agencies in meeting high preference standards of the consumer in terms of quality wholesomeness, and convenience. Programs concerned with establishing quality standards and operating grading and inspection services are also benefitting from new knowledge of factors constituting quality in different agricultural products and the methods and devices for identifying and measuring quality which are being developed through this research program.

While consumers, farmers and the public are strongly affected by the marketing system, many of the marketing problems do not get solved by such groups or in their interest unless some agency with a public responsibility takes the lead. AMS is able to get data from firms which private agencies cannot get. It can make impartial analyses of the problems and develop and recommend unbiased alternate solutions without being concerned with promoting one particular brand or system. It is often the only agency with sufficient knowledge of the entire marketing system and of the individual pieces to know best how to fit them together. Knowledge of what has been done in one part of the country with one commodity, or in one segment of the industry, can be used to advise others and prevent duplication of efforts that have already been done elsewhere. Ideas can be tried out which may hold forth better hope of immediate profit to a specific firm or group. In short, it helps develop technical and other improvements in marketing and bring about their adoption for the sole purpose of making the marketing system do a better job.

No attempt is made under the program to do all of the marketing research needed. The efforts are directed toward neglected areas, finding solutions to important problems of regional or National concern and serving as a catalyst and stimulus to get other agencies and firms to do research. Much of this research is conducted in cooperation with the Land-Grant colleges and other public and private agencies, and under contract. The program is thus provided with the benefit of research resources and facilities which would otherwise not be available, permitting the application of a higher degree of specialization to specific marketing problems.

The contributions of a public agency in this broad field are vital to the many groups, organizations, and individuals comprising the private marketing system, which is constantly faced with the need to make adjustments to keep pace with changing marketing organizations and patterns.

Expansion in 1962: Increases in the 1962 Appropriation Act permitted: Preparation of the architectural specifications and design for a Marketing Research Laboratory at Dawson, Georgia. No funds were provided in the 1963 Appropriation Act for the construction of this laboratory.

Peanut marketing research was accelerated by purchase of experimental commercial type peanut shelling equipment which makes possible shakedown tests and the initiation of certain types of shelling research. Research was also expanded on development of labor-saving devices for peanut grading and sampling and peanut storage insect control problems.

A study of the food wholesaling facilities and methods in Boston, Mass. was undertaken to develop plans for relocated modern facilities that will improve efficiency and make possible the redevelopment of blighted areas in which much food wholesaling is now located. The cost of handling the 4.6 million tons of food the 610 food wholesalers in Boston distributed to retail outlets in metropolitan Boston and other parts of New England in 1961 and the space required has been determined. Consideration is now

being given to possible sites of 300 acres and to the development of plans for new facilities that will eliminate unnecessary handling and reduce costs of minimum handling required. By the end of the fiscal 1963, the findings of the study will be made public, and proposed facilities presented with a scale model.

Research for maintenance of citrus fruit quality was concentrated on decay control measures in the period between harvest and consumption since any mechanical harvesting system developed will be concerned with the effects of limiting physical damage to the fruit.

Research on quality of Red Delicious and Golden Delicious apples as related to harvest maturity was expanded in the Appalachian area of West Virginia. Apple samples at harvest and after various period of cold storage were evaluated for quality. Promising results were also obtained from exploratory studies on the usefulness of light transmittance for the detection of water core in apples.

Selected examples of recent progress:

A. Use of not more than one lint cleaner recommended to cotton gins. The Department's cotton marketing quality evaluation laboratory at Clemson, S. C. has answered a question that has agitated the cotton industry from producer to spinner since the advent of mechanical harvesting: Does the use of multiple lint cleaners on high trash (typically mechanically harvested) cotton adversely affect spinning performance? The answer is "yes." The use of one lint cleaner during ginning caused only slight effects on fiber properties and spinning performance while the grade improvement and resulting bale value is at or near the maximum with the narrow price differentials prevailing during the past several years. The use of two lint cleaners was detrimental to the spinning performance of the cotton, and generally was of doubtful benefit to the producer. The use of three lint cleaners was definitely detrimental to both the producer and the spinning performance of the cotton. The results of this research are already proving of inestimable value to the cotton industry in correcting cleaning abuses which have reduced the end-use value of American cotton.

B. Drying cotton not found necessary in arid regions. Another research result of the cotton marketing quality program at the Clemson Laboratory was the showing that on western-area grown cotton, less fiber damage and better spinning performance are produced from cotton conditioned by ambient air during ginning than with artifically heated air. Extensive application of these findings are already being made throughout the western (irrigated) area of the cotton belt with savings to farmers and ginners of millions of dollars annually in reduced drying costs and in improved quality of cotton placed on the market.

C. New insect-resistant package gives improved protection to flour. An improved multiwall paper bag developed by AMS research protected flour against insect infestation for two years. Bags in use now permit infestation in a few weeks under the same conditions. The new bags have both ends closed with a polyethylene-laminated tape, heat-sealed over the stitching, and the outer ply is treated with an insecticide. Equipment and materials for the closure are now available commercially. Adoption of the new package will reduce the many millions of dollars annual loss from insect infestation of foods after packaging, as the products are in trucks, ships, and railway cars, warehouses, on grocery shelves, and on kitchen shelves.

D. Export grapefruit shipments protected from rind breakdown. Important European markets for Florida grapefruit are endangered because of the development of rind pitting and discoloration during export shipment. This disorder adversely affects fruit appearance and salability. In 1961 the Florida industry requested research assistance to determine causes and develop controls for rind disorders. To meet these requests simulated and actual shipping tests were begun at the AMS Orlando Field Laboratory during the 1961-62 season and will be continued through the 1962-63 season. The tests are designed to determine the effects of production area, season of harvest, packing house treatment and transit temperature on rind condition, decay and eating quality. Results so far indicate that season of harvest and transit temperature are the critical factors in rind disorder, with higher holding temperatures required for fall-harvested than for spring-harvested fruit. Preliminary findings are already being used to advantage by industry for export shipments.

E. Effectiveness of commercial vacuum cooling of lettuce improved. Western lettuce has been precooled by the vacuum process for more than ten years. However, recent research by AMS in a well-instrumented pilot vacuum plant at the Fresno, California Field Laboratory indicated that the full potential of the process was not being obtained in commercial plants. A detailed study was then made in several commercial plants to relate findings in the pilot plant to industry practice. Such factors as rate of air exhaust, final pressure in the chamber, surface temperature of the condensor, total period of exposure to vacuum and wet bulb readings were related to final leaf and core temperatures. As a result of these studies modifications in procedures and refinements in instrumentation have resulted in final lettuce temperatures near 33° to 38° previously used. This temperature difference is critical in maintaining the quality of this highly perishable commodity.

F. Manpower saving and increased accuracy in inspection of peanuts. The introduction of a mechanized and automated system for grading of farmers' stock peanuts is having an immediate effect in lowering manpower requirements for the official inspection and grading of peanuts. In the first season of use the manpower requirement in

Virginia alone dropped from 200 to 160 employees. The new system employs a series of machines including automatic spout and pneumatic samplers, mechanical shellers and splitters, and electric counters. Each equipment item has been placed into use as soon as its research development has been completed. The time lapse between conception of machine and actual use has been remarkably small, from two to four years.

G. DDVP found to be a promising new insecticide against stored products insects.
The minimum lethal concentrations of DDVP in air have been established for several of the important species of stored-product insects. This compound represents a relatively new group of pesticides having both contact and vapor action against insects, highly effective at low concentrations and with rather short duration of residues. Such materials may have considerable potential in a variety of uses to protect food, feed, and seed against insect damage and contamination. DDVP is now being investigated for possible use in food storage warehouses and might be particularly useful where there is a delicate balance between controlling insects and avoiding residues in food. This situation is now critical because the application of DDT, lindane, and similar pesticides must be highly restricted around food and there is no really effective, safe treatment to use.

H. New basic method for moisture analysis of grain and seeds.
A rapid spectrophotometric method has been developed for measuring the moisture content of grain and seeds. The moisture is extracted with alcohol and measured in a spectrophotometer. This measurement provides a more fundamental basis for moisture analysis and is applicable to a wide range of products. The requirement for extraction of the moisture limits this technique to the laboratory, but its inherent accuracy and rapidity of analysis makes it a valuable laboratory method.

I. New colorimetric method for determining the fatty acid content of vegetable oils.
In the marketing and processing of vegetable oils, the percentage of free fatty acids is a factor in determining quality and condition. The refiner, in particular, is interested in the free fatty acid concentration of crude vegetable oils as an indicator of refining loss. The percentage of free fatty acids in the oil indicates the degree of hydrolysis, or separation of the fatty acid from the fat molecule, which the oil has undergone.

J. Marketing facilities planning assistance furnished in many locations: Metropolitan wholesale markets. The largest and probably most difficult and important job ever undertaken by the Department in its planning of modern and efficient food wholesaling markets in metropolitan areas--planning the new New York City market--has been accomplished. Building plans based on an AMS study are complete and a 126-acre site is being prepared for building the new facilities

for distributing fresh fruits and vegetables to the 15 million people in the New York City area. The total facilities planned for fruits, vegetables, meat, poultry, eggs, butter, cheese, and margarine will handle more than one billion dollars worth of these foods annually, coming from practically every State, at a net saving in handling cost of about $25,000,000 per year. Plans also have been completed for Detroit and Pittsburgh and reports have been prepared for publication. During fiscal 1962, a total of 18 cities received marketing facility assistance.

Producing area markets. Because of changes in volume and location of production, new marketing techniques, changes in optimum size of plant, and increased mechanization, new and improved poultry processing plants, egg assembly plants, livestock auction and slaughtering facilities, and fruit and vegetable packing and storage plants are needed in producing areas. Limited assistance is being given in planning such facilities by working with personnel in State Extension Services and State departments of agriculture. AMS determines the best design, equipment and methods for such facilities, and helps State specialists develop one or more facilities of each kind in order that they may continue this type of improvement program in the States.

K. Improved methods of transporting citrus fruit.
Citrus shippers have been reluctant to use a corrugated container, which costs 7-1/2 cents less than a wirebound box, because of the impossibility of getting proper refrigeration and ventilation when such containers are stacked in the usual manner. To solve this problem a new air-stack method of placing these containers in railroad cars and trucks was developed and tested. Almost 100 percent of the Florida citrus packers who ship fruit in fiberboard boxes enthusiastically adopted this new method within 18 months after it was developed. The 4,000,000 increase in the number of fiberboard boxes used since the results of this research were made known saves $300,000 per year in container cost alone. There are also savings in assembly and pack-out costs and in reduced damage to the commodity. The new method is now being used for apples, tomatoes and other fruits and vegetables, and in other parts of the country.

L. Refrigerated cars and trucks improved.
Problems for the frozen food industry have been created by the Code of the Association of Food and Drug Officials which requires that zero temperature be maintained during transportation. Two States have adopted this code, and legislation has been introduced in at least seven other States (California, Georgia, Illinois, Indiana, Kentucky, Maryland and Tennessee). To help meet this requirement the Department has done several things to improve refrigerated cars and trucks. One of these is the design and testing of a new cold-wall, or perimeter cooled type of trailer in which cold air is circulated around and under the load in such a manner as to maintain the required temperature. Another important contribution was the

development of a standard method of rating the refrigerating ability of a trailer, so that the purchaser may know what performance to expect when he buys the vehicle. This method has been adopted by the Truck-Trailer Manufacturers Association. In recognition of the importance of this contribution this association presented a Certificate of Appreciation to those employees of Agricultural Marketing Service who were responsible for the research.

Distribution of Work Effort.

During fiscal year 1962, 88 line projects were completed or discontinued and 62 were initiated. A total of 275 were active at the beginning of 1963.

The resources of the marketing research program were used in 1962 and are planned in 1963 and 1964 in the following principal areas of work:

Work Project	1962 Actual		1963 Estimate		1964 Estimate	
	Avg. Annual Employment	Amount	Avg. Annual Employment	Amount	Avg. Annual Employment	Amount
ored products insects	87.8	$803,083	91.6	$863,883	91.6	$891,523
ality maintenance	92.3	1,004,487	102.2	1,046,454	102.2	1,077,124
ality evaluation	87.7	1,179,612	94.1	1,233,528	94.1	1,261,168
rketing facilities ...	20.3	245,069	26.4	323,886	26.4	335,297
rk methods and equipment	57.9	759,559	65.6	819,681	65.7	848,023
ansportation facilities	32.7	396,497	31.8	385,841	31.8	399,579
olesaling and retailing	18.0	185,313	17.4	189,402	17.4	196,961
Total	396.7	4,573,620	429.1	4,862,675	429.2	5,009,675

2. MARKET NEWS SERVICE

Current activities:
This Federal-State service furnishes an invaluable marketing tool for producers, handlers, and dealers in all major agricultural commodities produced in the United States, namely cotton; dairy and poultry products; fruits and vegetables; grain products; livestock, meats and wool; naval stores; and tobacco. It assists farmers in obtaining adequate returns for their produce and aids in orderly marketing and prevention of waste by providing timely and reliable market news on these commodities. The service is used principally by (a) producers to determine where and when to sell and at what price; (b) dealers and processors to determine where they can buy and at what price; and (c) banks to determine values for loan purposes.

The work is carried on at year-round and seasonal offices maintained in about 130 cities and towns. Generally, Federal reporters visit trading points at the time of transactions and gather the data by personal observation and by contacts with the trade. The information is analyzed prepared for dissemination and sent immediately over the leased wire. Local data and that received from other parts of the country are then compiled in such a way as to serve the industries and the locality most effectively.

Market news information is disseminated by mail, press, radio, television, telephone, telegraph, bulletin board, and trade and farm publications. More than 1,200 daily newspapers having an average circulation of 37 million--approximately 70% of the 53 million circulation of all daily newspapers--carry news based on Federal market reports. 1,600 radio stations and 170 television stations carry market news reports regularly.

To provide broader coverage and to serve the users more effectively, 43 States have entered into cooperative agreements with the Department and are paying a share of the cost. In some States the Department provides only technical supervision while the service is operated by the State Department of Agriculture. In some localities, Federal funds finance all or most of the work. On the average, States pay about 25% of the total cost of the service.

The continuing changes in production and marketing organization and practices, brought about through integration, specialized farming, and improved transportation and marketing facilities, have a direct bearing on the operation of the Federal market news service. As producers and other industry members become larger, more specialized or more affected by rapidly changing markets, they become more market conscious and seek more timely information on which to base their marketing decisions. To meet these changes in the marketing industry there is continuing appraisal and revision in the method of collecting and disseminating market news to insure that the data is timely, unbiased, and based on uniform standards of quality.

Selected Examples of Recent Progress and Trends:

A. Market News Activity, by Commodity Group, Fiscal Year 1962

Commodity Group	Field Offices	Buyers and Sellers Interviewed	Daily Newspapers Carrying Reports	Stations Broadcasting Reports: Radio	Stations Broadcasting Reports: Television	Mimeographed Releases to Growers, Shippers, and Others	On Mailing List
Cotton & cottonseed:							
Year-round	37						
Seasonal	11						
Total	48	4,359	330	798	101	1,463,000	51,876
Dairy and poultry products	38	3,142	920	1,048	105	7,032,761	54,287
Fruits & vegetables:							
Year-round	26						
Seasonal	21						
Total	47	6,200	500	647	67	9,563,800	66,594
Grain and related products:							
Year-round	27						
Seasonal	1						
Total	28	2,108	840	750	80	2,658,732	64,551
Livestock, meats and wool	47	6,900	1,070	1,450	150	1,800,000	22,500
Naval stores	1	50	75	14	1	52,681	839
Tobacco:							
Year-round	3	auction					
Seasonal	7	system					
Total	10	100	50	133	13	1,038,933	2,461

B. Leased Wire Service Improved:

With increased funds appropriated in 1962 for this purpose the service was improved by the partial completion of the first step in the modernization of the leased wire system. In the past, the two circuits servicing the Western area of the country carried data on all commodities. With the gradual expansion in all of the commodity reporting services, these lines had become over-crowded resulting in wasted circuit time, effort and supplies.

These circuits were redesigned in 1962 so that offices with common commodity interests are located on the same circuit. Automatic sending and receiving machines were installed at all locations, eliminating the manually-operated machines.

C. All Commodity Services Strengthened:

Supervision and work with the 14 Spot Cotton Quotations Committees were strengthened. Prices on spot cotton were collected, analyzed, and reported on sales of over 1.4 million bales of cotton, thus reflecting more accurately the prices paid for cotton during the 1961-62 season.

Dairy and poultry market reports were strengthened in several areas. For example: Coverage of the Birmingham, Alabama Commercial Egg Movement Report was expanded. The North and Central Georgia Egg Market Report was changed from a weekly to a daily release.

Efforts continue toward greater State participation in this program. 43 States are now cooperating--some by contribution of funds, and others by providing personnel, supplies, space, etc. In several instances additional State cooperation has made it possible to expand service without increasing Federal cost. For example, the fruit & vegetable report from Denver was expanded to cover price and movement of produce from the San Luis Valley of Colorado. Also, with the cooperation of the Minnesota Department of Agriculture reporting of potatoes in central Minnesota, and of miscellaneous vegetables in Anoka County, was initiated in 1962. Livestock reporting was extended to additional auction markets in Pennsylvania at no additional Federal cost. Similar increased coverage on livestock was instituted in the State of Washington.

The naval stores report was expanded to include sales information from processing plants in Alabama and Mississippi. The report now covers all U.S. movement and sales of naval stores through the ports of Savannah, Jacksonville, and Mobile.

With bulk exports of turpentine increasing and currently constituting a significant part of our export market, information on such transactions has become necessary for representative market news coverage.

The Naval Stores Market News Service, in cooperation with reporting sellers, is publishing a weighted average price on bulk export shipments on a 7.2 lb. gallon basis, net to seller, F.O.B. Ships Tanks, Savannah, Jacksonville or Mobile. This average appears on the monthly report, when available. For an average to appear, it must be based on any combination of sales by at least two sellers. Any average published is representative of all applicable sales since the last quotation.

Eight new reporting points were added for tobacco and one was discontinued.

The movement of fresh fruits and vegetables by "piggy-back" truck and rail shipment is now being reported in Florida, Texas, Arizona, California, and Washington. While this type of movement still represents a small proportion of the total, indications are that the practice will grow and spread to other commodities.

D. Federal-State Cooperation:

Federal-State Cooperative Agreements in Effect, F.Y. 1962 by Commodity Group

Dairy and Poultry Products	Fruits and Vegetables	Grain and Feed Products	Livestock Meats and wool	Tobacco
Alabama	Alabama	Alabama	Alabama	--
--	Arizona	--	--	--
Arkansas	Arkansas	Arkansas	Arkansas	--
California	California	California	California	--
Colorado	Colorado	--	--	--
Connecticut	Connecticut	Connecticut	--	--
Delaware	Delaware	Delaware	--	--
Florida	Florida	--	Florida	--
Georgia	Georgia	--	Georgia	--
Hawaii	Hawaii	Hawaii	Hawaii	--
--	Idaho	--	--	--
Illinois	Illinois	--	Illinois	--
Indiana	Indiana	--	--	--
Iowa	Iowa	Iowa	Iowa	--
Kentucky	Kentucky	Kentucky	Kentucky	Kentucky
Louisiana	Louisiana	Louisiana	--	--
Maine	Maine	--	--	--
Maryland	Maryland	Maryland	Maryland	Maryland
Massachusetts	--	--	--	--
Michigan	Michigan	--	--	--
Minnesota	Minnesota	--	Minnesota	--
Mississippi	Mississippi	Mississippi	--	--
Missouri	Missouri	Missouri	--	--
Nebraska	--	--	--	--
N.Hampshire	--	--	--	--
--	New Jersey	--	--	--
New York	New York	--	--	--
N. Carolina	N. Carolina	N. Carolina	N. Carolina	N. Carolina
--	N. Dakota	--	--	--
Ohio	Ohio	--	--	--
--	--	--	Oklahoma	--
Oregon	Oregon	Oregon	Oregon	--
Pennsylvania	Pennsylvania	--	Pennsylvania	--
Rhode Island	Rhode Island	--	--	--
S. Carolina	S. Carolina	S. Carolina	S. Carolina	--
Tennessee	Tennessee	Tennessee	Tennessee	Tennessee
Texas	Texas	Texas	Texas	--
Utah	Utah	Utah	--	--
Vermont	--	--	--	--
Virginia	Virginia	Virginia	Virginia	Virginia
Washington	Washington	--	Washington	--
W. Virginia	W. Virginia	--	W. Virginia	W. Virginia
Wisconsin	Wisconsin	--	--	--
Total 38	38	19	21	6

E. Agriculture-Weather Reporting Survey:

At the direction of the House Appropriations Committee a survey was conducted in cooperation with the Weather Bureau to determine (1) the need by agriculture in other sections of the country for weather information similar to that now being provided on a pilot basis in the Mississippi Delta area; and (2) the feasibility of coordinating the Market News Leased Wire system of AMS with facilities of the Weather Bureau in the dissemination of weather reports.

The results of the survey, transmitted to the Congress in April 1962, showed a need for improved weather reporting, particularly in areas producing weather-sensitive crops, i.e., fruits and nuts, vegetables, cotton, tobacco, Irish potatoes and hay. These crops, which have a high per-acre value, require several weather-influenced operational decisions during the growing season upon which final profit or loss depends.

Other crops and livestock, while affected by weather at key points in their development, are not as highly weather-dependent throughout the entire growing period. Therefore, further studies are needed to determine the need for Delta-type agricultural weather service for these products.

With respect to coordinating the AMS and WB reporting services, it was concluded that the AMS leased wire, because of its heavy load of agricultural market data, cannot make an effective contribution to the rapid dissemination of general weather information of broad regional or national interest. Potentialities for joint assistance by cross-utilization of facilities rest in areas where special agricultural weather programs are being conducted. It was concluded, further, that greater assistance could be afforded by the AMS leased wire service with full implementation of the proposal to modernize it through increased capacity and automatic selectivity.

F. Plans for 1963.

1. Increased appropriations provide for the following new and expanded services:

   a. The second phase of the leased wire modernization program will be completed. This involves termination of the Eastern and Central multi-purpose curcuits and installation of two commodity circuits--one to transmit fruit and vegetable data and the other for dairy and poultry and grain products. The increase provides also for installation of selectivity equipment on the Western leg of the Livestock circuit.

b. A Federal-State seasonal service on fruits and vegetables was initiated at Yuma, Arizona on November 1, 1962; and a year-round service at Princeton, Florida for Dade County will begin about February 1.

c. A Federal-State service on grain will be initiated in Illinois and a Federal service on grain will be initiated covering the States of Colorado, Wyoming, Kansas, Nebraska, Idaho and Montana.

d. Livestock reporting at West Fargo, N. D. was initiated on November 19,1962 with full Federal financing.

2. Study of operations will continue with a view to improving the service wherever possible within available funds.

G. Federal Cost of Service:

	1962	1963 (Est.)	1964 (Est.)
Total cost of service	$5,553,120	$6,183,735	$6,432,735
Less reimbursements*	296,102	297,058	297,058
Paid from appropriation	5,257,018	5,886,677	6,135,677

* Includes amounts reimbursed to the appropriation in accordance with cooperative agreements. Does not include amounts expended directly by States and by local groups both under cooperative agreement and outside of agreement.

3. INSPECTION, GRADING, CLASSING AND STANDARDIZATION

Current Activities: These activities assist farmers in obtaining returns for their products commensurate with quality. This is accomplished by: (1) establishing United States standards for agricultural commodities that will accurately describe their quality and condition; (2) developing the equipment and methods by which these standards may most efficiently be applied; (3) broadening the knowledge, acceptance and use of such standards by producers, dealers, manufacturers, consumers and others through demonstrations, training courses, color charts, photographs, plaster models, preparation and loan or sale of copies of standards, etc; (4) providing an impartial inspection, grading and classing service for producers, dealers, and others on the basis of these standards and for wholesomeness of poultry; and (5) administering and enforcing regulatory and criminal provisions of the Poultry Products Inspection Act and of statutes that require the use of official United States standards for cotton, cotton linters, and grain sold in interstate commerce and for tobacco sold at designated auction markets.

Selected Examples of Recent Progress and Trends:

1. Standardization and related activities.

Unites States standards provide a common language to describe quality of products being bought and sold. They must be revised and kept up to date to reflect results of new research and significant changes occurring in production, merchandising practices, and uses of the products. Visual aids are an important part of this work to assure as much uniformity as possible in the application of the standards.

The volume of standardization and demonstration activities in 1962, by commodity group, is reflected in Table I.

a. The Universal Standards for American Upland cotton were revised in June 1962 to be effective June 15, 1963. This was a major revision recommended unanimously by representatives at the Universal Cotton Standards Conference held in Washington. Representatives were present from 14 overseas cotton associations and 42 industry groups in the U.S. including producers, ginners, shippers, manufacturers and exchanges.

b. Efforts continued toward maintenance and improvement in the standards for staple length of cotton. A preliminary study of Digital Fibrograph results indicates a definite possibility of using this faster test method in the staple purchasing program rather than the slower array sorter method now employed. This study will continue.

c. Standards for dairy products were revised. The standards for grades of nonfat dry milk were amended to permit a higher solubility index for established grades of high heat nonfat dry milk. At the request of the National Association of State Departments of Agriculture and other interested parties, USDA took the leadership in developing photographic sediment standards for farm holding tank milk. Work on proposed minimum standards for milk for manufacturing purposes continued.

TABLE I

Volume of Standardization and Demonstration Activities, by Commodity Group, Fiscal Year 1962

Type of Activity	Cotton and Cotton-seed	Dairy Products	Fruits and Vegetables	Grain, Hay, Feed, Seed, etc.	Livestock Meats and Wool	Poultry Products	Tobacco and Naval Stores
Standardization Activities:							
Grade standards in effect June 30, 1962	111	10	296	18	21	65	1,014
Number of commodities covered	3	7	226	18	22	15	3 a/
New standards issued in fiscal year 1962	--	--	2	--	--	5	--
Standards revised in fiscal year 1962	--	1	16	5	--	7	11
New standards in process June 30, 1962	--	2	4	--	2	49	--
Standards being revised as of June 30, 1962	16	--	5	3	--	1	33
Requests pending for new standards	--	5	6	--	--	50	--
Requests pending for revision of standards	--	3	26	2	2	1	104
Demonstration Activities:							
Farm demonstration ..... Number	--	--	--	--	--	--	989
..... Attendance	--	--	--	--	--	--	12,348
Farmer meetings ..... Number	77	20	161	25	10	--	414
..... Attendance	9,500	600	11,683	500	1,800	--	4,443
Farm visits ..... Number	745	--	--	--	--	--	247
..... Attendance	1,250	--	--	--	--	--	483
School demonstrations ..... Number	415	--	27	45	21	--	2,245
..... Attendance	9,000	--	400	4,000	2,400	--	45,650
Short courses at Agricultural colleges ..... Number	6	4	--	--	2	--	4
..... Attendance	86	350	--	--	1,750	--	98
Other demonstrations ..... Number	4,476 b/	--	--	--	134 b/	37	54 b/
..... Attendance	10,300 c/	--	--	--	4,800 c/	e/	d/
Grading and training schools .... Number	--	28	137	--	11	2	43
.... Attendance	--	500	3,319	--	750	100	764
Other meetings and inverviews ... Number	1,181	40	866	--	85	--	40
... Attendance	12,200	6,200	26,927	--	10,000	--	d/
Fairs, field days and classing contests ..... Number	26	--	--	--	--	--	24
..... Attendance	280,000	--	--	--	--	--	d/
Distributed - Copies of standards	23,172	7,100	179,350	15,000	12,300	29,788	6,651
Farmer bulletins, leaflets, etc.	21,000	600	1,500	3,400	141,100	98,386	199,810
Visual Aids:							
Prepared plaster and wax models	--	--	251	--	--	--	--
Distributed or displayed							
Plaster and wax models	--	--	213	--	--	--	--
Color photographs, charts and guides	--	25	4,470	--	12,500	3,010	--
Black and white photographs	--	--	260	--	--	3	--
Slides and film strips	331	--	185	--	50	--	--
Type samples and physical forms	1,481	--	--	2,700	--	--	--
Exhibits and other displays	371	--	--	--	--	--	--
Television films	16	--	--	--	--	--	--
Cotton sample sets for schools	206	--	--	--	--	--	--
Color comparators	--	--	1,291	--	--	--	--
Yield grade finders	--	--	--	--	2,000	--	--

AGRI-WASH

a/ Includes turpentine, rosin and 24 types of tobacco.
b/ Includes radio and television appearances.
c/ Excludes radio and television attendance.
d/ Not available.
e/ Estimated attendance of over 10 million at trade, professional and State and County fairs where exhibits were shown.

AMS/BFD

Assistance was given to the U.S. delegation to the FAO Committee on Standards for Milk and Milk Products. The Department collaborated with the American Dry Milk Institute, and the Iowa study in work on the Direct Microscopic Clump Count method as applied to dry milk.

d. The rapid change in the number and nature of destination buyers of fresh fruits and vegetables has necessitated changes in procedures for establishing and revising standards for these products. A contact group has been established representing large chain store organizations. These organizations are buying and retailing a substantial majority of the fresh produce being consumed in the country. Indications are that some well-considered advice pertaining to development of standards or related industry problems will be offered by this contact group which represents most of the present day buying trade.

e. A new system for grading fresh tomatoes for manufacture of strained tomato products was made available to processors and growers. The system involves use of the USDA Tomato Colorimeter. It is an outgrowth of a conference in 1950 when representatives of tomato grower and processor groups met with Department personnel to discuss the need for an objective tomato color measurement system to replace visual color evaluation.

A review was made of performance under 1961 canning operations for major canned fruit items with respect to the fill-weight program. Amended instructions and compilation of the fill-weight values were prepared on canned apricots, sweet cherries, Kadota figs, fruit cocktail, fruits for salad, fruit mix, clingstone and freestone peaches, pears and plums. A special study on drained weights of canned sauerkraut was conducted at 4 plants to ascertain current packing practices of glasspack kraut. The results will provide the basis for amendments to the grade standards for this product.

f. Barley and grain sorghum standards were amended in 1962 and comprehensive reviews of wheat and corn standards were initiated to determine what changes, if any, might be needed in the requirements or form of the standards to better meet the needs of the various elements of the trade particularly for end-use purposes.

g. A survey was initiated on the quality of hard red spring wheat and hard red winter wheat exported by the U.S. Investigations were continued on the suitability of new makes and models of rapid moisture-testing devices for use in grain inspection and on maintaining the accuracy of moisture conversion tables. A laboratory manual is being prepared for use in training new technical personnel in the evaluation and standardization of moisture testing equipment.

h. The dual grading system for beef carcasses and slaughter cattle was demonstrated and discussed at numerous State, regional, and national meetings of industry groups. Cattle producers and feeders,

marketing agents, packers, retailers, and research and extension workers were among the important segments of the industry included in such meetings. Carcass evaluation programs embodying the principles of dual grading were adopted by the Reciprocal Meat Conference, Production Registry International, American Hereford Association, and American Angus Association. The American Nation Cattlemen's Association has long supported the principles of dual grading and in January requested that the Department make dual grading service available on an optional basis for industry trial and study. In response to this and other similar requests, the Secretary announced, on April 10, that dual grading service would be made available for a trial period of one year, beginning July 1, 1962, under proposed standards published in the Federal Register. The regular grading service for beef also is available during the trial period.

i. Demonstrations of the selection of beef by grade and by cut reached many more consumers in 1962 than heretofore.

j. Proposed raw wool standards with specifications on a micron basis and methods of test for use with the standards were prepared and discussed with other USDA agencies, the Bureau of Customs and the Tariff Commission. The Senate Finance Committee has urged modernization of the wool standards and the National Wool Growers Association and affiliated State groups have endorsed the proposed micron standards.

k. Of the 78 sets of U.S. rosin standards on loan, 35 were serviced and repaired during the year. 17 sets of turpentine testing equipment, including the color standards are on issue to approved packers of turpentine by cooperative agreement.

l. Poultry Products. A tentative standard for Grade A Canned Whole Chicken was developed and circulated for comment. The regulations governing grading and inspection of poultry and poultry products were amended effective August 28, 1961 providing changes in standards for A & B quality frozen poultry.

m. Some revision was made in standards for flue-cured tobacco. Preliminary studies were also conducted into the tentative standard grades for Pennsylvania seedleaf, type 41, tobacco. The studies will continue and will be broadened to include Ohio cigar-filler types 42-44. Modified tentative standards for Puerto Rican cigar-filler tobacco were issued in January.

2. Inspection, grading and classing activities.

Agricultural commodities are inspected and graded in accordance with the standards discussed in the preceding section. The work is performed by Federal inspectors or by State or industry employees Federally-licensed. For most coomodities, standards are for quality and condition and the inspection service is performed upon request and for a fee.

This voluntary service is carried on in cooperation with 49 States under the terms of 244 cooperative agreements in accordance with provisions of the Agricultural Marketing Act of 1946. The fees collected are deposited to a Trust Fund and cover about 57% of the cost of the service. See Tables VII and VIII for details. Poultry and poultry products processed in plants that distribute poultry in interstate or foreign commerce are required by law (Poultry Products Inspection Act) to be inspected for wholesomeness.

a. The shortage of trained cotton classers continued to plague the cotton classing program and several training courses were given during the year. A 6-month training school was completed to qualify people with no previous cotton classing experience but having a general background in cotton. 20 men completed the course satisfactorily and were appointed as cotton classers. Other courses were given to men with previous classing experience, who then qualified for temporary service during the heavy marketing season.

Increased emphasis on the use of laboratory instruments as aids in the supervision and classification of cotton was continued during the season. 17 classing offices used colorimeters and 19 offices used air-flow instruments.

31 year-round and 11 seasonal classing offices were operated in 1962, classing 15.2 million samples. Of the total, 13.5 million samples were classed for groups organized under the Smith-Doxey Act. This was 94% of the total U.S. ginnings.

b. The volume of dairy products graded in 1962 reached an all-time high of over 4.7 billion pounds. This was 50% over F.Y. 1961, 100% over 1960 and about 20% over 1955, the previous high year. The increase was due mainly to the greater volume of work performed in connection with the government price support program. Continuous inspection was maintained in 91 plants.

c. Inspections of fresh fruits and vegetables increased 20% over 1961. This was due primarily to a 40% increase in inspection of raw products for processing and inspection of 69,000 carlots of potatoes under the Section 32 diversion program. Similarly, inspections of processed products increased substantially. Comtinuous inspection of fresh fruits and vegetables was maintained in 2 plants and on processed products in 186 plants.

Technological developments in harvesting, processing, and marketing of processed fruits and vegetables have, and will continue to affect this program. New varieties and mechanical harvesting of fruits and vegetables have created problems in the interpretation of the grade standards. New methods of processing and automation within the plant place additional demands upon inspection personnel and require more supervision and better coordination within the service. In the frozen vegetable field there is a trend toward bulk storage, bins holding up to 1 million pounds of products, which creates new problems of sampling and lot identity.

State and Federal regulatory officials are placing increased emphasis upon consumer protection, particularly with respect to net weights and the handling of frozen foods. The inspection service must keep abreast of activities in this area and constantly review inspection techniques.

d. The volume of grain inspected under the U.S. Grain Standards Act increased by 240 million bushels--about 3% over 1961. Conversely, the number of appeal inspections decreased 9%, from 36,189 to 32,813. Factors causing the decrease in volume of appeal inspections are: more accurate initial inspection, better quality of grain produced, increase in appeal fees and overtime charges. More licensed inspectors and more official inspection points are factors in the increased volume of grain inspected.

Approximately 71% more apparent violations of the United States Grain Standards Act were reported during the year than the preceding year. Most of the apparent violations involved the deceptive loading of grain. A total of 359 warnings were issued to shippers, inspectors, samplers, and exchanges; and three shippers were prosecuted for the deceptive loading of grain.

e. Increased Volume of Meat Graded. The amount of Federally graded and accepted meat increased about 440 million pounds over 1961.

All meat graders were trained during 1962 in the application of the proposed standards for the dual grading of beef.

f. The volume of poultry graded continued to increase as it has over the past 22 years. This increase reflects the ever-increasing acceptance and demand for officially graded chickens and turkeys. During 1962, continuous grading service was maintained in 670 plants located in 541 cities and towns throughout the U.S.

g. Poultry inspection. The compulsory poultry inspection program continues to increase in all phases. 1962 was the 4th full year of operation under the Poultry Products Inspection Act and in that period the program has almost tripled. In 1958 there were 356 plants under inspection and in 1962 there were 984. The growth in volume of work has been even greater--about 2 billion pounds inspected in 1958 and over 9 billion in 1962. This growth is due to several factors such as the increase in poultry production from 2.1 billion head in 1958 to 2.4 billion head in 1961; and the increase in percent of this production inspected--from 31% in 1958 to 85% in 1961. Here again the evolution taking place in agricultural marketing affects the service. The vertical integration, formation of a few large companies in place of individual producers and handlers makes for more interstate shipment and, consequently, a larger volume of poultry to be inspected.

The recruiting program for veterinary inspectors received increased impetus through a program prepared jointly by the Agricultural Marketing Service and the Agricultural Research Service for presentation at the veterinary colleges. In addition, training officers met with professors who teach veterinary public health to discuss ways and means of improving the education that veterinarians receive in this area of the curriculum. Veterinarians from each of the six areas lectured at the veterinary colleges on the application of the veterinary sciences to poultry food hygiene, and printed training material has been distributed to all such colleges.

Evidence developed in the course of the year resulted in 209 letters of warning and ten letters of intent to prosecute under the Poultry Products Inspection Act, and 41 "informal show cause" letters to various firms concerning alleged violations of the Agricultural Marketing Act and the Poultry Products Inspection Act. 19 cases were submitted to the Office of the General Counsel with recommendations that such cases be closed with letters of warning. The Office of the General Counsel referred 23 cases of violations to the Department of Justice for criminal prosecution. Eleven cases resulted in court convictions for violations of the Poultry Products Inspection Act and the regulations thereunder. Poultry inspection service was terminated at one establishment for failure to comply with the regulations under the Poultry Products Inspection Act.

A total of 428 import requests and examinations were made at various ports of entry throughout the country. A total of 40,022 pounds of such poultry was determined to be ineligible and was refused entry.

Poultry products exported to foreign countries continued to increase as evidenced by the issuance of 21,952 export certificates, representing an estimated 302 million pounds of product.

Table II shows volume of commodities inspected and graded in 1962 and estimates for 1963 and 1964 under authority of the Agricultural Marketing Act and other laws which provide for user fees. This work is financed largely through user fees deposited into a trust account.

Tables III, IV, V, and VI show volume of work performed pursuant to legislation other than that shown on Table II.

TABLE II - Commodities Inspected and Graded on a Fee Basis
Fiscal Years 1962 - 1964

Commodity Group	Unit	1962	1963 (Est.)	1964 (Est.)
Fresh fruits and vegetables				
At receiving markets	car or	96,031	98,000	98,000
At shipping points	carlot	1,545,757	1,510,000	1,510,000
Total carlots	equiv.	1,641,788	1,608,000	1,608,000
Processed fruits & vegetables				
Canned products	1,000 cases	208,700	225,000	240,000
Frozen, dried, and misc.	1,000 lbs.	3,813,400	4,116,000	4,527,000
Dairy products				
Butter, cheese, dry skim milk, evaporated milk, misc. products	1,000 lbs.	4,684,245	4,915,000	4,915,000
Poultry products graded				
Shell eggs	1,000 cases	32,990	34,642	34,642
Processed eggs	1,000 lbs.	559,011	559,100	559,100
Poultry, including rabbits	1,000 lbs. RTC wgt.	4,405,073	4,562,129	4,862,129
Poultry products inspected	1,000 lbs. live wgt.	2,228	2,295	2,364
Grain and related products				
Rice, beans, and peas	100-# bag	58,465,660	70,300,000	70,300,000
Hay	ton	26,512	30,000	30,000
Hops	bale	190,166	250,000	260,000
Seed verification and re-verification	lbs.	11,950,543	10,000,000	10,000,000
Miscellaneous commodities	Certificates issued	61,040	65,000	70,000
Meat and meat products				
Beef	1,000 lbs.	7,559,258	7,786,000	8,097,000
Veal and calf	1,000 lbs.	160,937	163,000	171,000
Lamb and mutton	1,000 lbs.	350,355	333,000	336,000
Miscellaneous	1,000 lbs.	303,028	304,000	304,000
Total meat & meat products	1,000 lbs.	8,373,578	8,586,000	8,908,000
Cottonseed	Certificates issued	93,236	95,000	95,000
Naval Stores				
Rosin	drum equiv.	359,979	384,000	384,000
Turpentine	gal. equiv.	4,632,540	4,734,300	4,734,300

TABLE III - Activity under the Poultry Products Inspection Act
Fiscal Years 1962 - 1964

Item	1962	1963 (Est.)	1964 (Est.)
Poultry Inspected:			
Head (000)	1,955,411	1,972,000	2,039,000
Pounds (000 live weight)	9,023,648	9,785,000	10,180,000
Poultry condemned:			
Ante-mortem:			
Head (000)	4,232	NA	NA
Pounds (000 live weight)	17,607	NA	NA
Post-mortem:			
Head (000)	41,041	NA	NA
Pounds (000 N.Y. dressed)	153,706	NA	NA
Poultry Certified:			
Pounds (000 ready-to-cook)	5,961,984	6,089,000	6,296,000
Plants indicated as subject to the Act	1,076	1,076	1,091
Plants under inspection as of 6/30	984	1,076	1,086
Lines within plants under inspection as of 6/30	1,411	1,445	1,488
Examination of labels:			
Proposed labels received	15,167	17,000	18,000
Labels approved	9,167	NA	NA
Labels disapproved	6,000	NA	NA
Laboratory work:			
Chemical compounds received for review	613	650	650
Approved	480	NA	NA
Rejected	113	NA	NA
Chemical tests made	500	550	550
Gross pathological specimens examined	160	200	200
Histopathology specimens examined	354	400	400
Color pathology slides developed for training purposes (rolls)	18	20	20

TABLE IV - Cotton Classing and Related Data
Fiscal Years 1962 - 1964

Type of Service and Legislative Authority	Number of Classifications Made		
	1962	1963 (Est.)	1964 (Est.)
Cotton Classifications by Federal Employees:			
Statistics and Estimates Act ...	182,134	182,000	182,000
Smith-Doxey Amendment	13,510,336	14,150,000	14,000,000
Cotton Standards Act:			
Public Classing service	1,337,016	500,000	2,000,000
Federal Penitentiary (reimb.)	18,918	18,000	18,000
C.C.C. Loan (reimb.)	11,974	11,000	11,000
Other	34,638	35,200	35,200
Cotton Futures Legislation	112,567	103,800	253,800
Total, Cotton Classifications	15,207,583	15,000,000	16,500,000
Cotton fiber tests made	171,607	175,000	200,000
Micronaire determinations for futures cotton	42,940	45,000	100,000
Cotton linters classification by Federal Employees:			
Cotton Standards Act	2,351	2,000	2,000
Number of members of Cotton Improvement Groups	691,670	690,000	690,000

TABLE V - Volume of Grain Inspection (by Licensed Inspectors Federally Supervised) and Appeal Activities (by Federal Inspectors) under the U. S. Grain Standards Act 1/

Activity	Fiscal Year 1961	1962	1963 (Est.)	1964 (Est.)
Inspection Services:				
Quantity of grain produced crop year (1,000 bu.)	5,456,682	7,490,009	7,250,000	7,250,000
Quantity of grain inspected (1,000 bu.)	1,944,430	7,385,697	7,000,000	7,000,000
Number of inspection points	178	400	410	425
Number of licensed inspectors	414	719	735	750
Total number of inspections	1,268,121	3,661,988	3,600,000	3,600,000
Inspections supervised by Federal supervisors (excludes appeals)	134,621	148,058	150,000	150,000
Percent of inspections supervised (includes appeals)	15.1	4.9	5.1	5.1
Appeal Services:				
Number of district offices	37	35	47	49
Number of sub-offices	6	13	--	--
Number of appeals referred	NA	33,113	33,800	33,800
Number of appeals denied or cancelled	none	300	300	300
Number of appeals decided	45,894	32,813	30,000	28,000
Original grade sustained (percent)	67.5	80	80	80
Original grade changed (percent)	32.5	20	20	20
Number of appeals carried to appeal boards	638	427	500	500
Supervisor's grade sustained (percent)	79	77	82	82
Supervisor's grade changed (percent)	21	23	18	18
Total number of certificates issued	1,325,667	3,695,228	3,634,000	3,634,000
Overtime and related costs	none	$53,300	$60,000	$60,000

1/ Users of this service pay a fee to the licensed inspector. No Federal fee is charged except in the case of appeal inspections when licensees' grades are not changed.

TABLE VI - Tobacco
Number of Auction Markets and Volume of Tobacco
Inspected under the Tobacco Inspection Act
Fiscal Years 1962 - 1964

Item	1962	1963 (Est.)	1964 (Est.)
Number of markets	177	177	177
Number of designated markets	177	177	177
Number of markets inspected	177	177	177
Number of sets of buyers	238	238	238
Volume inspected at auction markets (million lbs.)	2,080	2,180	2,180
Percent of total volume sold at auction	100	100	100

Volume of Tobacco Inspected, by Class
Fiscal Year 1962

Class of Tobacco	Number of Auction Markets: Designated and Inspected	Sets of Buyers	Quantity Inspected and sold: million pounds
Auction Markets:			
Flue-cured	94	145	1,364.4
Fire-cured	8	12	51.2
Dark air-cured	10	5	23.0
Burley	61	71	605.0
Maryland	4	5	36.5
Total, Auction Markets	177	238	2,080.1
Cooperative Marketing Associations	Auction types		92.2 a/
	Non-auction types		18.7 a/
Total			2,191.0

a/ Inspected only

h. Fees and charges are adjusted from time to time as necessary to cover the cost of the service. Revisions in 1962 and plans for 1963 are shown in the following table:

Revisions in Fees and Charges, Fiscal Year 1962 and 1963

Purpose of Fee	Effect of Change	New Rate	Effec. Date
1. Cotton			
a. Classing of cotton	Fee for classing bales increased from $0.25 per bale	$0.35	December 1, 1962
	Minimum classing fee increased from $3.00	$3.50	December 1, 1962
	Cotton linters classing increased from $0.20	$0.30	December 1, 1962
b. Sampling cotton	Fee for supervision of drawing of samples increased from $3.00 per hour.	$4.00	December 1, 1962
c. Practical forms of cotton standards	Charge for 6 sample box increased $1.00 and charge for 12 sample box increased $2.00.	25% increase	December 1, 1962
2. Dairy products			
a. Regrading of CCC-owned butter and cheese	Four fees decreased	25% decrease	July 1, 1961
b. Sampling of CCC-owned dry milk	Four fees decreased	25% decrease	July 1, 1961
3. Fruit and Vegetables			
a. Inspection of fresh fruits and vegetables	(a) Hourly rates increased from $5.00	$6.00	November 1, 1962
	(b) Inspection for grade of less than half carlot loads increased from $9.00	$12.00	November 1, 1962
	(c) Inspection for condition of less than half carlot loads increased from $8.00	$10.00	November 1, 1962
	(d) Fees for supervision of State inspectors in canneries and commercial establishments changed from a set amount per week to a percentage of the inspection fee	10% increase	all agreements to be changed by June 30, 1963
b. Inspection of processed fruits and vegetables	(a) Analyses of bulgur and tallow exports in cooperation with grain inspection	50% increase	July 1, 1962
	(b) Citrus under Florida code	11% increase	July 1, 1961
	(c) Raisins under Fresno agreement	7% decrease	October 1, 1961
	(d) Pack certification increased from $5.00 per hour	$5.50	January 1, 1963
	(e) Commercial inspection increased from $10.00 per lot	$12.00	November 1, 1962
	(f) Commercial inspection increased from $5.50 per hour	$6.00	November 1, 1962
	(g) Citrus under Florida code increased from $0.65 per case	$0.70	July 1, 1962
	(h) Raisins under Fresno agreement increased from $1.25 per ton	$1.60	July 1, 1962
4. Grain products			
a. Quality testing of grain products and miscellaneous commodities	Increase regular time from $4.50 per hour	$5.00	January 1963
	Increase overtime from $5.80 per hour	$6.40	January 1963
b. Appeal inspections under the U. S. Grain Standards Act	Appeal fees on various lots and samples	10% increase	January 1963
	Increase overtime from $6.80 per hour	$7.00	January 1963
c. Seed Verification Service	Increase inspection fees from $0.07 per 100-lb.	$0.08	January 1963
5. Meat products	Hourly rate for meat grading increased from $6.00	$7.20	November 1, 1962
6. Poultry products Voluntary poultry grading	Hourly rate for grading work increased from $5.00	$5.60	February 1, 1962
7. Naval Stores	Analysis of fees not yet completed	Unknown	Unknown

gric-Wash
1-30-62

i. Estimated percentage of crop marketed under Federal grades is as follows:

Commodity or Commodity Group	Fiscal Year 1962	1963 (est.)
Cotton	94	95
Cotton linters	5	5
Cottonseed	70	70
Dairy products:		
Butter	58	NA
Cheese	20	NA
Dry milk	70	NA
Fresh fruits and vegetables	NA	NA
Canned fruits and vegetables	60	60
Frozen fruits and vegetables	90	90
Grain products:		
Beans	36	40
Grain	100 a/	100 a/
Hay	0.2	0.2
Hops	98	98
Peas	75	65
Rice	70	70
Seed verification and reverification	10	10
Meat:		
Beef	50	50
Veal and calf	17	17
Lamb, yearling and mutton	44	45
Poultry inspected, off-farm sales (compulsory):		
Broilers	85	85
Turkeys	83	84
Fowl	79	80
Poultry and eggs graded:		
Shell eggs	19	NA
Liquid	83	NA
Dried eggs	84	NA
Poultry (excluding turkeys)	40	NA
Turkeys	70	NA
Tobacco	95	95
Rosin	72	75
Turpentine	49	49

a/ In interstate and foreign commerce.

j. Tables VII and VIII show, for 1962 and 1963, the total cost of the Inspection, grading, classing and standardization activity; the sources of financing; and the percentage of cost to the taxpayer and to the special beneficiary.

k. Plans for 1963.

1. Increased emphasis will be placed on development of standards which will more nearly meet the needs of current production and marketing practices. The continuing shift to mass buying and selling through large packing houses and chain store operations requires concurrent changes in criteria for trading. Effective mass distribution is dependent upon fairly standardized and uniform products. Large-scale buyers demand products packed within relatively narrow tolerances. Standards must be developed that are more realistic in view of current production facilities and buyers' needs; and inspection service must be provided which is in keeping with modern demands for accuracy, uniformity and speed.

2. Training of inspectors and graders will be intensified. Improved training methods will be utilized wherever they are available and continuing study is planned to further develop improvements in training procedures.

3. Major emphasis will continue on further refinement and demonstration of the dual grading system for beef carcasses and slaughter cattle and extensive of this principle to feeder cattle, wholesale cuts of beef, and veal and calf carcasses. The development of proposed standards for grades of feeder swine and sheep also is planned. Specifications will be prepared for additional items in the series of Institutional Meat Purchase Specifications. The proposed revision of the standards for grades of raw wool will be published for comments of the industry, and the warehouse demonstration program will continue.

4. Work on export grades for poultry will be undertaken. These would be used in the voluntary grading program.

5. Beginning about the middle of October, to the extent facilities permit, air flow instrument tests of cotton samples submitted for Smith-Doxey classification are being made available to producers on a fee basis. Estimates of the number of samples on which these measurements will be made range from 3/4 to 1-1/2 million in the 1963 Fiscal Year.

Table VII

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

Actual Cost of Inspection, Grading, Classing, and Standardization Activity
and Cost of Program to Taxpayer, By Work Project

FISCAL YEAR 1962

Work Project	TOTAL	Paid from Revenue Earned			Paid From Appropriation	Income to General Revenue Fund of Treasury	Net Cost to Taxpayer	Percent of Total Cost	
		Reimb. to Appropriation 1/	Trust Funds	Total				Charged to Taxpayer	Covered by Revenue
INSPECTION, GRADING AND CLASSING									
ton and Cottonseed	$4,583,527	$624,218	$30,318	$654,536	$3,928,991	$2,323,384	$1,605,607	35.0	65.0
ry Products	2,331,635	-	2,293,118	2,293,118	38,517	-	38,517	1.7	98.3
its and Vegetables	7,327,328	-	6,834,225	6,834,225	493,103	-	493,103	6.7	93.3
in (U S Grain Stds. Act)..	2,254,134	82,595	-	82,595	2,171,539	603,565	1,567,974	69.6	30.4
estock, Meats and Wool ...	5,340,078	5,549	5,151,281	5,156,830	183,248	-	183,248	3.4	96.6
al Stores	31,456	-	12,513	12,513	18,943	48	18,895	60.1	39.9
ltry Products - Grading ..	4,435,270	-	4,199,563	4,199,563	235,707	-	235,707	5.3	94.7
- Inspection	14,705,205	1,937,355	22,600	1,959,955	12,745,250	-	12,745,250	86.7	13.3
e, Hay, Beans, etc.	1,853,002	-	1,823,747	1,823,747	29,255	--	29,255	1.6	98.4
acco	3,313,788	288,767	-	288,767	3,025,021	4,006	3,021,015	91.2	8.8
Total	46,175,423	2,938,484	20,367,365	23,305,849	22,869,574	2,931,003	19,938,571	43.2	56.8
STANDARDIZATION									
ton and Cottonseed	373,149	-	-	-	373,149	38,683	334,466	89.6	10.4
ry Products	36,125	-	-	-	36,125	-	36,125	100.0	-
its and Vegetables	317,777	-	-	-	317,777	-	317,777	100.0	-
in (U S Grain Stds. Act) .	151,199	8,512	-	8,512	142,687	-	142,687	94.4	5.6
estock, Meats and Wool ...	185,126	2,003	-	2,003	183,123	-	183,123	98.9	1.1
al Stores	10,974	-	-	-	10,974	354	10,620	96.8	3.2
ltry Products - Grading ..	42,344	-	-	-	42,344	-	42,344	100.0	-
- Inspection	42,395	-	-	-	42,395	-	42,395	100.0	-
e, Hay, Beans, etc.	50,232	-	-	-	50,232	-	50,232	100.0	-
acco	71,579	-	-	-	71,579	-	71,579	100.0	-
Total	1,280,900	10,515	-	10,515	1,270,385	39,037	1,231,348	96.1	3.9
TOTAL, INSPECTION, GRADING, CLASSING, AND STANDARDIZATION									
ton and Cottonseed	4,956,676	624,218	30,318	654,536	4,302,140	2,362,067	1,940,073	39.1	60.9
ry Products	2,367,760	-	2,293,118	2,293,118	74,642	-	74,642	3.2	96.8
its and Vegetables	7,645,105	-	6,834,225	6,834,225	810,880	-	810,880	10.6	89.4
in (U S Grain Stds. Act) .	2,405,333	91,107	-	91,107	2,314,226	603,565	1,710,661	71.1	28.9
estock, Meats and Wool ...	5,525,204	7,552	5,151,281	5,158,833	366,371	-	366,371	6.6	93.4
al Stores	42,430	-	12,513	12,513	29,917	402	29,515	69.6	30.4
ltry Products - Grading ..	4,477,614	-	4,199,563	4,199,563	278,051	-	278,051	6.2	93.8
- Inspection	14,747,600	1,937,355	22,600	1,959,955	12,787,645	-	12,787,645	86.7	13.3
e, Hay, Beans, etc.	1,903,234	-	1,823,747	1,823,747	79,487	-	79,487	4.2	95.8
acco	3,385,367	288,767	-	288,767	3,096,600	4,006	3,092,594	91.4	8.6
Total	47,456,323	2,948,999	20,367,365	23,316,364	24,139,959	2,970,040	21,169,919	44.6	55.4

1/ Includes amounts reimbursed by CCC for classing cotton ($605,000) and grading tobacco ($60,000) placed under loan.

ic-Wash
21/62

TABLE VIII

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

Estimated Cost of Inspection, Grading, Classing, and Standardization Activity
and Cost of Program to Taxpayer, By Work Project

FISCAL YEAR 1963

Work Project	TOTAL 2/	Paid from Revenue Earned: Appropriation 1/	Paid from Revenue Earned: Trust Funds	Paid from Revenue Earned: Total	Paid From Appropriation 2/	Income to General Revenue Fund of Treasury	Net Cost to Taxpayer 2/	Percentage of Total Cost: Charged to Taxpayer	Percentage of Total Cost: Covered by Revenue
INSPECTION, GRADING AND CLASSING									
n and Cottonseed	$4,992,539	$892,258	$37,365	$929,623	$4,062,916	$2,444,940	$1,617,976	32.4	67.6
Products	2,872,003	-	2,826,879	2,826,879	45,124	-	45,124	1.6	98.4
s and Vegetables	8,025,771	-	7,509,659	7,509,659	516,112	-	516,112	6.4	93.6
(US Grain Stds. Act) ..	2,472,986	80,600	-	80,600	2,392,386	621,075	1,771,311	71.6	28.4
tock, Meats and Wool ...	5,625,281	-	5,436,966	5,436,966	188,315	-	188,315	3.3	96.7
Stores	38,120	-	17,115	17,115	21,005	35	20,970	55.0	45.0
ry Products - Grading ..	4,784,160	-	4,545,288	4,545,288	238,872	-	238,872	5.0	95.0
- Inspection	16,343,069	2,031,374	31,228	2,062,602	14,280,467	-	14,280,467	87.4	12.6
Hay, Beans, etc.	2,481,574	-	2,449,750	2,449,750	31,824	-	31,824	1.3	98.7
co	3,556,220	475,401	-	475,401	3,080,819	6,170	3,074,649	86.5	13.5
al	51,191,723	3,479,633	22,854,250	26,333,883	24,857,840	3,072,220	21,785,620	42.6	57.4
STANDARDIZATION									
n and Cottonseed	402,497	-	-	-	402,497	40,000	362,497	90.1	9.9
Products	52,336	-	-	-	52,336	-	52,336	100.0	-
s and Vegetables	331,628	-	-	-	331,628	-	331,628	100.0	-
(US Grain Stds. Act) ..	164,078	-	-	-	164,078	-	164,078	100.0	-
tock, Meats and Wool ...	196,820	-	-	-	196,820	-	196,820	100.0	-
Stores	12,582	-	-	-	12,582	325	12,257	97.4	2.6
ry Products - Grading ..	47,322	-	-	-	47,322	-	47,322	100.0	-
- Inspection	47,679	-	-	-	47,679	-	47,679	100.0	-
Hay, Beans, etc.	56,547	-	-	-	56,547	-	56,547	100.0	-
co	71,674	-	-	-	71,674	-	71,674	100.0	-
al	1,383,163	-	-	-	1,383,163	40,325	1,342,838	97.1	2.9
TOTAL, INSPECTION, GRADING, CLASSING AND STANDARDIZATION									
n and Cottonseed	5,395,036	892,258	37,365	929,623	4,465,413	2,484,940	1,980,473	36.7	63.3
Products	2,924,339	-	2,826,879	2,826,879	97,460	-	97,460	3.3	96.7
and Vegetables	8,357,399	-	7,509,659	7,509,659	847,740	-	847,740	10.1	89.9
(US Grain Stds. Act) ..	2,637,064	80,600	-	80,600	2,556,464	621,075	1,935,389	73.4	26.6
tock, Meats and Wool ...	5,822,101	-	5,436,966	5,436,966	385,135	-	385,135	6.6	93.4
Stores	50,702	-	17,115	17,115	33,587	360	33,227	65.5	34.5
ry Products - Grading ..	4,831,482	-	4,545,288	4,545,288	286,194	-	286,194	5.9	94.1
- Inspection	16,390,748	2,031,374	31,228	2,062,602	14,328,146	-	14,328,146	87.4	12.6
Hay, Beans, etc.	2,538,121	-	2,449,750	2,449,750	88,371	-	88,371	3.5	96.5
o	3,627,894	475,401	-	475,401	3,152,493	6,170	3,146,323	86.7	13.3
l	52,574,886	3,479,633	22,854,250	26,333,883	26,241,003	3,112,545	23,128,458	44.0	56.0

cludes amounts reimbursed by CCC for classing cotton ($824,950) and grading tobacco ($210,000) placed under loan.

cludes $2,300 reimbursement to employees compensation fund, and $4,300 to be transfered to Inspector General.

4. REGULATORY ACTIVITIES

Current Activities: Several regulatory laws are administered under this project. These include the Federal Seed Act, Packers and Stockyards Act, U.S.Warehouse Act, the two Standard Container Acts, Export Grape and Plum Act, Tobacco Seed and Plant Exportation Act and the regulatory aspects of the Naval Stores Act. These laws regulate various marketing activities and the administration of each includes two or more of the following:

(1) licensing or registration
(2) supervision of operations of licensees or registrants
(3) collection and testing of samples
(4) handling of violations

This project also includes assistance in obtaining and maintaining equitable and reasonable transportation rates and services on farm products and supplies.

Selected Examples of Recent Progress and Trends:

1. Federal Seed Act.
This law applies to agricultural and vegetable seeds. It requires truthful labeling; prohibits false advertising; restricts the dissemination of noxious-weed seeds; and establishes germination standards for vegetable seed in interstate commerce. The Act requires also that seed imported into the U.S. meet minimum standards of quality before being admitted into U.S. commerce. The Act was amended in 1962 to require that importers submit with entry papers a declaration of the labeling appearing on the bags.

Under memorandum of agreement, State seed inspectors report to AMS seed testing laboratories any apparent violations which they detect in their routine sampling and testing of interstate shipments, for compliance with State seed laws. Findings of Federal tests and investigations of these State reports are the basis for action against violators.

The U. S. Customs Service draws samples of seed offered for importation which are sent to AMS seed testing laboratories to be tested for compliance with the Federal Seed Act. Imports which do not meet the minimum quality standards are denied entry unless the defect can be corrected.

Apparent violations of the interstate provisions of the Act were reported by 32 States in 1962. Four hundred and thirty State officials were authorized to inspect seed subject to the Act.

a. Factors involved in reported violations during the past 4 years are shown as follows:

Factor	Percent			
	1959	1960	1961	1962
Germination	29	35	25	28
Noxious-weed seeds	22	15	12	16
Purity	18	15	14	17
Variety	7	7	7	4
Advertising	11	14	27	10
Not labeled	2	1	1	3
Miscellaneous (incomplete labeling, misleading statements, etc.)	11	13	14	22

b. The extent of compliance with State seed laws and the Federal Seed Act in recent years is summarized below:

Year	Proportion of inspected seed in violation of State law	Proportion of inspected seed in interstate commerce	Proportion of inspected seed in violation of the Federal Seed Act
	%	%	%
1946	18	47	7
1956	14	45	8
1958	12	40	9
1959	11	38	9
1960	11	42	8
1961	9	43	8

c. Interstate Investigations and Actions

Complaints of violation of interstate provisions of the Act increased 2% over 1961 and over the average of the past 5 years. A survey of State agencies revealed that there were 2,222 known violations of which 994 or 45% were reported to AMS. A summary of work in this aspect of the law is shown in the following table:

Item	Fiscal Year					
	1959	1960	1961	1962	1963 (Est.)	1964 (Est.)
Cases for investigation:						
Total to be investigated	1,505	1,514	1,508	1,543	1,443	1,443
Investigations completed	769	977	959	1,100	1,000	1,000
Pending at end of year	736	537	549	443	443	443
Administrative actions:						
No action warranted	222	339	267	369	350	350
Warnings issued	503	531	662	713	700	700
Cited for hearings	135	173	123	120	150	150
Seizures recommended	2	4	4	3	5	5
Prosecutions recommended	31	26	29	32	30	30
Court actions:						
Prosecutions	31	51	29	28	30	30
Prosecutions pending at end of year	25	25	25	29	30	30
Seizure actions terminated	5	3	4	5	5	5
Seizure actions pending at end of year	2	3	3	1	1	1

d. Import Activities

A total of 264.8 million pounds of seed valued at over $23 million were offered for importation during the year. This represents a decrease of 101.5 million pounds under 1961, due primarily to the reduction of 113 million pounds of wheat from Canada caused probably by the drought. Indications are that this year's wheat crop in Canada will be normal and the estimated work for 1963 and 1964 shows an increase based on the increased trend in recent years. The work performed in connection with these imports in recent years and estimated for 1963 and 1964 are shown in the following table:

Activity	Fiscal Year					
	1959	1960	1961	1962	1963 (Est.)	1964 (Est.)
Total import actions 1/	16,472	18,808	18,720	13,852	19,000	20,000
Lots offered for importation	16,349	18,514	18,304	13,682	18,800	19,800
Lots permitted entry	16,338	18,247	18,224	13,582	18,600	19,600
Lots denied entry	160	267	80	100	200	200
Kinds of seed imported	110	110	122	122	120	120
Pounds of seed imported (millions)	307.4	354.7	365.8	263.7	375.0	400.0

1/ Includes action taken on lots rejected once and acted on again after cleaning, etc.

e. Seed Testing

The volume of testing work done on seed of both foreign and domestic origin is shown in the following table:

Activity	Fiscal Year 1959	1960	1961	1962	1963 (Est.)	1964 (Est.)
Seed samples tested in connection with:						
Imports	16,717	19,080	18,955	14,167	19,500	19,500
Interstate shipment	1,574	1,040	1,317	1,989	1,500	1,500
Check tests	921	836	972	743	1,000	1,000
Varietal-identity growing tests.	--	--	523	2,180	800	800
Miscellaneous	806	1,001	607	494	500	500
Total tests	20,018	21,957	22,374	19,573	23,300	23,300

2. Naval Stores and Tobacco Export Permits. Work under this project includes administration of two laws:

a. Naval Stores Act. The regulatory aspect of this law protects users of Naval Stores particularly at the retail level, against adulteration or misleading labeling as well as against short weight. Samples of turpentine and related products moving in interstate commerce are tested and the labels examined to assure their accuracy.

A total of 1,827 samples were examined in 1962 representing 75 shippers. This was an increase of 1,303 samples over 1961. In addition, 357 samples were collected from wholesaler and retailer outlets for testing and analysis. Of the total samples examined 20 violations were found--13 minor infractions which were corrected after warning or informal notification and 7 which are pending collection of further data.

b. Tobacco Seed and Plant Exportation Act. This law prohibits the exportation of domestic tobacco seed and live tobacco plants from the U.S. except for experimental purposes. In 1962, 58 certificates were issued for the export of tobacco seed to be used for experimantal purposes.

3. Packers and Stockyards Act. This program is designed to assure free, open, and fair competition, and fair practices in the marketing of livestock, live poultry, meat, and dressed poultry. It protects consumers against unfair business practices in the marketing of meat and poultry. It protects members of the livestock marketing and meat industries from unfair, deceptive, unjustly discriminatory and monopolistic practices of competitors.

The meat packing and poultry industries are undergoing vast changes in marketing structure including concentration of buying power, increased vertical integration and new merchandising and pricing practices as well as new procurement methods. These practices are analyzed and their economic effects upon competitive conditions in the livestock, poultry, and meat industries evaluated to determine their compliance with the Act.

Investigations are conducted to determine that the operations of packers and retail organizations do not involve unfair, unjustly discriminatory, monopolistic, or deceptive practices. Through the use of required annual and special reports, as well as audits, the financial stability of these organizations are determined to guard against loss to persons and firms dealing with them. When violations or insolvencies are established, procedures to obtain cease and desist orders are initiated to prevent future violations.

Operations of stockyards, market agencies, and dealers are supervised, investigated, and audited to assure that their business practices are fair, in free open competition, and that they are financially sound.

To assure accurate weights, AMS supervises the testing, maintenance, and operation of scales used in transactions subject to the Act.

The law also provides for reparations for anyone injured financially as a result of a violation by a stockyard owner, market agency, or dealer.

a. Hearings Conducted on Lamb Marketing Practices. The extended investigation into the marketing of live and dressed sheep and lamb was completed in 1962, and a complaint issued against 7 major meat packers, 3 nation-wide food chain organizations, and 2 lamb dealers. The first two hearings in this case were held in Colorado during March 1962, and 3 additional hearings have already been held in 1963 in Idaho and California. Additional hearings will be held in 1963. The next one scheduled is to be in Denver in the Spring of 1963.

b. Investigations Conducted. (a) The major portion of a complex investigation of certain hog-buying practices in the Iowa-Minnesota direct buying area was completed. The facts developed in this investigation are under review. (b) The first formal administrative action against a poultry processor was instituted in 1962. (c) Several investigations were completed and a number are continuing including practices involving such things as failure to pay for livestock and meat purchases, packers owning and controlling stockyards or auction markets, packer feeding activities, discriminatory pricing of meat, preferential discounts, misrepresentation of meat grades, quality, inspection, etc.

c. Important Rate Case Nears Completion. The St.Paul Union Stockyards Rate Case, which has been of major concern for a number of years, was placed in the hands of the Judicial Officer in 1962. This case grew out of an application for tariff increase at the St.Paul market in 1957. The case has introduced new principles to be applied to the determination of rates at the more than 2,300 posted stockyards. The decision of the Judicial Officer rendered in November 1962 does, in effect, establish current criteria for determining both property value and a fair rate of return for operators of posted stockyards

d. Improved Operating Procedures. Several new procedures were adopted in 1962 which make for improved operations and reduced costs of operations. For example, review of packer annual reports, previously made by 25 different field offices is now centralized in Washington. This results in a more expeditious, less expensive process with a more comprehensive picture of insolvencies and other violations of the Act. Also, a questionnaire was developed to secure information necessary in investigations. This has resulted in significant savings in Federal travel funds and man-hours.

e. Meetings with Industry Groups. Several meetings were held with representative industry groups to bring about closer relationships and promote mutual understanding between the Department and industry.

f. Bonding. Of the 16,983 persons registered under the Act on Jume 30, 1962, 12,299 were bonded in the total amount of $150 million. The remaining 4,784 registrants are classified as "packer buyers" who are not required to furnish bond coverage. H.R.417, a bill requiring that meat packers be bonded, is now before Congress. The Department testified at hearings on a similar bill in the preceding Congress and strongly recommends that it be enacted.

g. Scales and Weighing. During 1962, three electronic scales were installed at livestock auction markets. This system of weighing is new to the livestock industry and established methods of testing have not proven conclusive in determining the accuracy of the scales. More frequent testing will be made at these installations until such time as performance records indicate the reliability of these scales.

h. Posting and Registration Activities are reflected in the following table for the years 1957 and 1960 through 1964.

Activity	Fiscal Year 1957	1960	1961	1962	1963 (Est.)	1964 (Est.)
Yards posted	546	2,115	2,217	2,272	2,320	2,320
Market agencies and dealers registered	5,996	11,284	14,593	16,983	19,000	19,000
Packers under supervision	1,979	2,557	2,967	3,240	3,600	3,600
Poultry dealers licensed	1,176	779	745	687	650	600

There follows an analysis of formal proceedings under the Act for the years 1957 and 1960 through 1964.

i. Analysis of Formal Proceedings under the Packers and Stockyards Act.

Activity	Fiscal Year					
	1957	1960	1961	1962	1963 (Est.)	1964 (Est.)
Cases pending first of year	61	133	104	156	189	261
New and reopened cases	75	128	156	244	353	350
Total cases requiring action	136	261	260	400	542	611
Cases disposed of	85	157	104	211	281	290
Cases pending end of year	51	104	156	189	261	321

j. Plans for 1963 include (1) Study of the economic aspects of the concentration of buying power in fewer hands and the effects of this concentration on producers and the entire industry. (2) Intensified supervision of packer buying practices to determine whether undue concentration of buying power exists which results in restraint of trade, restriction of competition, or manipulation of prices. (3) Study and investigation of feeding operations of packers and chain organizations. (4) More active enforcement of provisions of the Act relating to live poultry handlers and dealers. (5) Determination of adequacy of present bonds. (6) Acceleration of property valuations at posted stock yards. (7) Series of meetings with producers and other representatives of the livestock and poultry industries to seek solutions to the major problems in these industries; to appraise existing regulations and required program modifications; and to evaluate marketing trends.

4. Standard Container Acts.

The two laws administered under this project are designed to standardize containers used for small fruits, berries, and vegetables and veneer baskets of larger sizes. The laws specify the size and type of berry boxes, till baskets, round stave and splint baskets, and hampers that can be made. The principal benefit derived from this legislation is protection of the public against loss because of short measure or deceptive containers for certain fruits and vegetables. The objectives are attained largely through the cooperation of manufacturers who staunchly support the purpose of the Act and through systematic inspection and testing of containers at the factory or in the Washington laboratory. Where requested, certificates of approval are issued by the Department for containers that meet the requirements of the Act.

During 1962 sample containers were obtained from 100 factories. Capacity examinations were made of 399 items involving 2,544 sample containers, an increase of 25 items and 52 samples over 1961. 97 items required correction and corrections were made in 66 instances. Certifications of approval were issued for 17 items.

5. U.S.Warehouse Act. The primary objectives of this project are (1) to protect producers and others who store their property in public warehouses from loss due to improper storage, theft or conversion, (2) to facilitate credit required to maintain large stocks of stored products and to assist in their marketing, and (3) to set and maintain a standard for sound warehouse operation.

To achieve the objectives of the Act, AMS licenses and bonds public warehousemen storing agricultural products; licenses weighers, graders and samplers of such products; and supervises the operation of those licensed to assure compliance with the Act. Applications are filed on a voluntary basis. Before licensing, applicants and their storage facilities and operations are examined to determine that they qualify for licensing under the terms of the Act and regulations. The Act provides for periodic examinations of licensees and licensed warehouses and their contents. The licensee is authorized to issue Federal warehouse receipts for products deposited for storage. These receipts represent the stored products and are vital instruments in the marketing and financing of the products.

a. Increase in Number and Capacity of Licensed Warehouses. The number of licensed warehouses and the licensed capacity increased in 1962. This was a continuation of the trend of the past 20 years. The increase has been almost entirely in grain warehouses. Of the 39 additional warehouses licensed in 1962, 32 were grain facilities, 1 cotton and 6 other commodities. As of June 30, 1962 grain capacity increased a net of more than 28 million bushels and cotton capacity increased 79,500 bales. Actually, grain capacity increased 108 million bushels during the year. However, capacity of about 80 million bushels was suspended during the last quarter of the year reflecting a reduction in licensed capacity as of June 30, 1962. The potential demand for new licenses is very large. About 70% of the Nation's commercial grain storage capacity and 35% of the commercial cotton storage capacity is not now licensed under the Act.

The following table reflects the trend in the number of licensed warehouses and capacity, by major commodities during the past 22 years:

Year As of June 30	Total Number	Capacity (millions) Grain (Bushels)	Cotton (Bales)
1940	1,291	188	10.1
1950	1,483	380	11.0
1956	1,587	711	12.6
1957	1,652	774	13.5
1958	1,682	846	13.3
1959	1,710	1,030	13.3
1960	1,742	1,188	13.5
1961	1,753	1,281	13.6
1962	1,792	1,309	13.7
1963(Est)	1,800	1,350	13.7
1964(Est)	1,825	1,400	13.8

b. Supervisory Examination Activity. During 1962, man-years of work in the examination of warehouses increased by 1.1. This was not enough to maintain the 1961 rate of examinations per grain warehouse of 1.8. The rate declined to 1.7 in 1962. While this is not a large decrease, it indicates a trend caused by expanding licensed facilities without corresponding expansion in supervisory facilities.

The following table reflects the trend in grain warehouse examination workload since 1957:

Fiscal Year	Grain Examiner (Man-years)	Licensed Grain Capacity (million bu.)	Workload per man (million bu.)
1957	26.5	774.0	29.2
1958	26.0	846.0	32.5
1959	28.1	1,030.0	36.7
1960	31.5	1,188.0	37.0
1961	30.0	1,281.0	42.7
1962	31.1	1,309.0 a/	42.1 a/
1963 (Est.)	35.0	1,350.0	38.5

a/ Does not include capacity of 80 million bushels licensed during most of 1962 but suspended during the last quarter of the year. Actual workload per man-year, therefore, was 44.7 million bushels.

c. Program Supervision to be Further Strengthened. Steps were taken late in 1962 to strengthen the supervision of licensed warehouses:

1. A more careful review of financial information will be made by certified public accountants recently added to the staff.

2. Warehousemen's semi-annual financial reports are being expanded to include more detailed information.

3. Examinations of licensed facilities and records are being intensified as are those of new applicants.

4. A new procedure in connection with adjustments has been adopted. For example, when conversion or a major shortage is discovered, a Federal warehouse examiner is stationed at the warehouse to prevent further misappropriation of stored products and thereby protect depositors' interests.

d. Proposed Amendments to Regulations. On July 10, 1962 there appeared in the Federal Register proposed amendments to the regulations for grain warehouses licensed under the Act. The proposal is intended to strengthen the protection afforded depositors and other persons interested in grain stores in licensed warehouses. The amendments include (1) change the method of computing net assets required for Federally-licensed warehousemen; (2) change the method of computing bonding requirements; and (3) increase the net assets and bonding requirements generally and increase the maximum bond from $200,000 to $1,000,000.

6. Freight Rate Services. This program is aimed at the establishment of better transportation service and reasonable rates and charges for farm products that move to storage, processing plants, and to the markets as well as on farm production supplies that move to the farms. It is authorized by the Agricultural Adjustment Act of 1938 and the Agricultural Marketing Act of 1946. The work is carried on in cooperation with farm organizations, producers, and shippers of agricultural products; with other government agencies; and with carriers. Efforts are directed primarily toward obtaining the most advantageous transportation environment for the agricultural community. Attention is also given to the needs of the carriers--rail, highway, water, and air--as outlined in the National Transportation Policy.

   a. Cases Requiring Departmental Participation. During 1962, the Department participated in two important cases involving the transportation of grain and grain products. One of these cases results from proposed reductions in rates by railroads serving the southeastern States carrying grain products from various river ports. The rates were suspended by the Interstate Commerce Commission on petition of the barge lines operating over the rivers, by commercial grain interests which operate private barge lines and by various shipping and receiving interests. Except for a 30-day recess this case has been running continually since January 8, 1962.

      Another grain case resulted from adjustments in rates by a number of carriers serving the Great Plains wheat area. The reduction was made to facilitate the sale of wheat to Far Eastern dollar markets, particularly Japan, where an educational program had been conducted on the use of wheat.

      The Department also participated in two railroad merger cases. Other rail carrier cases involved such divergent subjects as protective service on frozen commodities, incentive rates on wool, export rates on soybeans, rates on potatoes, melons, cut flowers, and agricultural implements, storage charges on grain at railroad-owned elevators, switching services and port equalizations.

   b. The following table lists types of action and commodities or rates affected during 1962:

Type of Action and Commodities or Rates Affected	Number
A. Formal litigation:	
1. Interstate Commerce Commission	51
2. Federal Maritime Board	1
3. State Utilities Commission	0
4. Civil Aeronautics Board	2
5. U. S. Courts	4
6. Other	0
B. Informal negotiations	32
Total actions	90
C. Commodities or rates affected:	
1. Cotton and cottonseed	1
2. Dairy and poultry products	1
3. Fruits and vegetables	27
4. Grain and grain products	25
5. Livestock and meats	4
6. Sugar	1
7. Wool and mohair	4
8. Fertilizer and fertilizer material	3
9. Agricultural implements	2
10. General motor carrier rates	9
11. General rail rates	10
12. General water rates	1
13. General air rates	2
Total actions	90

c. Measures Taken to Improve Operations. To meet changes in patterns of competition between carriers and between producing areas, and to keep pace with technological improvements in transportation and in methods of shipping, plans are being made to realign the staff available for this work for more efficient handling of recurring problems. Current organization is on a "mode of transport" basis. It will be reorganized on a commodity basis to provide more flexibility of operation.

7. Export Grape and Plum Act. Regulations for Emperor grapes under this Act became effective on October 9, 1961. Following distribution of the regulations to shippers, exporters, and carriers, surveys for compliance were made in Baltimore, Md., Boston, Mass., Buffalo, N.Y., Chicago, Ill., Detroit, Mich., New York, N.Y., Los Angeles, Calif., Portland, Ore., Seattle, Wash., and Miami, Fla. Records of shipments, involving 18 exporters and 7 carriers, were checked for compliance with the Act and regulations.

An article entitled "A New Step Toward Quality Grape Exports" concerning this Act and the regulations issued under it for Emperor grapes was published in the January issue of the Departmental publication "Agricultural Marketing". An informational leaflet for distribution to exporters, carriers, and other interested persons is currently in preparation.

8. Federal Cost of Regulatory Activities

Item	1962	1963 (Est.)	1964 (Est.)
Total cost of activity	$3,420,752	$3,885,395	$4,178,845
Less reimbursements	4,984	4,250	--
Paid from appropriation	3,415,768	3,881,145	4,178,845
Less income to General Revenue Fund of Treasury	93,637	85,000	85,000
Net cost to taxpayer	3 322,131	3,796,145	4,093,845
Percent of total cost charged to taxpayer	97	98	98
Percent of total cost covered by revenue	3	2	2

5. ADMINISTRATION AND COORDINATION OF STATE PAYMENTS

Current Activities

Federal leadership and coordination are provided for the matching fund marketing service programs carried on by States, and financed in part with Federal funds appropriated under the item "Payments to States and Possessions". In carrying out the Federal responsibility in this program, workshops are held in various parts of the country. Each cooperating State receives personal Federal assistance in directing the program. Information on application of research results in other States and research results becoming available from other USDA programs are furnished the State. Projects submitted by the States are analyzed and evaluated. Other activities are performed which are necessary to insure effective use of the matching funds paid to States.

Selected Examples of Recent Progress and Trends

During the year, 41 States conducted 121 projects under this program, 1 more State and 4 more projects than in 1961. AMS staff members visited 39 of these States to assess progress being made; to counsel with States concerning operating problems; and to apprise them of successful programs and techniques used in other States faced with comparable problems.

A 4-day workshop was held in November 1961 at Atlanta, Georgia. Marketing specialists under this project attended the workshop and gave technical assistance to representatives from 37 States and Puerto Rico. Attendance at the meeting totaled 292 and a wide range of subjects was discussed under the theme "Abundant Production Out Greatest Heritage--Efficient Marketing Our Greatest Challenge."

(b) Construction of Facilities

Appropriation Act, 1963 and base for 1964	---
Budget Estimate, 1964	$1,600,000
Increase (for construction of a national peanut quality evaluation facility at Dawson, Georgia)	+1,600,000

PROJECT STATEMENT

Project	1962	1963 (estimated)	1964 (estimated)
Construction of marketing research facility a/	---	---	$1,600,000(1)

a/ Represents obligations. Applied costs are estimated to be $955,000 in 1964. The difference between obligations and costs reflects, primarily the time lag between the letting of contracts for architect's plans and for construction and completion of the work.

INCREASE

(1) An increase of $1,600,000 for construction of a national peanut quality evaluation facility at Dawson, Georgia.

Need for Dawson Laboratory: All segments of the peanut industry, including farmers, have been faced with quality problems multiplied by rapid advances in mechanization at the farm level. The sheller has been concerned about hidden damage, splitting and skin slippage. There is a need for more accurate methods of determining the quality of peanuts purchased, and improved methods for handling, storing, and grading raw peanuts. Peanut butter manufacturers, salters, and candymakers have complained that new harvesting and curing methods are adversely affecting peanut quality. Many specific quality defects, such as hard peanuts, chalky and off-flavor nuts, are becoming a problem. The difference between varieties in respect to these problems needs thorough investigation. Cultural practices, harvesting, handling and curing practices should be studied as to their effect on quality. Less expensive, more efficient and effective methods, equipment and facilities for handling, storing and transporting peanuts must be developed.

Insect damage to peanuts is an increasingly serious problem. Harvesting with combines has aggravated the problems of insect damage in storage by increasing the number of loose kernels and cracked pods which are easily attacked by insects.

Site Selection: The 1962 Department of Agriculture and Farm Credit Administration Appropriation Act, provided $130,000 to develop architectural plans and specifications for these facilities and to accelerate marketing research on peanuts. Approximately $80,000 of this amount was used in 1962 to develop plans and specifications for the laboratory and the remainder was used to step up marketing research on peanuts. In 1963 and 1964 the total additional funds are being used to continue the expansion of the peanut marketing research program.

After considering possible locations, a site at Dawson, Georgia was selected and arrangements have been worked out for donation of the necessary land and the provision of connecting utilities. The Dawson site is located close to the center of the national peanut production and is near the heart of the Georgia-Alabama-Florida area which produces approximately 1/3 of the national peanut crop.

Proposed Facilities: This laboratory would provide facilities for a complete quality analysis of peanuts at each stage after harvest and in marketing channels, to enable producers and the trade to place a superior product on the market and to improve the efficiency of storage, conditioning and handling operations. Facilities are needed to provide for research designed primarily to protect market quality of peanuts, and also improve work methods, equipment and layout for performing handling and storing operations in marketing channels. Emphasis will be given to prevention of deterioration in storage and insect damage, and to methods for determining the quality of peanuts. New harvesting and curing methods are said to be adversely affecting peanut quality. Also new means of measuring quality are required to create more meaningful grade standards and grading methods and equipment. Space would also be provided for Agricultural Research Service engineering research principally on problems related to peanut harvesting. The total cost of $1,600,000 includes $100,000 for the ARS space.

Proposed Construction: The basic structure would be a one and two story combination, brick, containing rooms for laboratory controlled temperature chambers, controlled gas storage, radioactive isotope instrument rooms, pilot plants, and shop. Certain outdoor facilities would also be required, such as bins for peanut storage research.

Space: The proposed laboratory would contain approximately 33,000 sq.ft. and the pilot plant and shop approximately 24,000 sq.ft. of space.

Personnel Requirements: The program planned for this laboratory would utilize sixty scientists, engineers, food technologists, and supporting technical, clerical and other personnel.

The cost of the laboratory excludes equipment which would not be built in as part of the construction. Funds for such equipment will be requested in estimates for subsequent years.

(c) Payments to States and Possessions

Appropriation Act, 1963 and base for 1964	$1,425,000
Budget Estimate, 1964	1,425,000

PROJECT STATEMENT

Project	1962	1963 (estimated)	1964 (estimated)
Payments for marketing service work under sec. 204 (b) of the Agricultural Marketing Act of 1946	$1,325,000	$1,425,000	$1,425,000

STATUS OF PROGRAM

Current Activities: This activity enables State marketing agencies to put into practical application improved marketing practices which research work has developed. These methods and practices aid in maintaining quality, expanding outlets, and reducing deterioration and spoilage of farm products. The program also helps move seasonal commodity surpluses to their best market, reduce marketing costs, and increase returns to farmers from the marketing of their products.

The Federal payments, authorized by Section 204 (b) of the Agricultural Marketing Act of 1946, are made under cooperative agreements between the U.S.Department of Agriculture, State Departments of Agriculture, Bureaus of Markets, and similar State agencies for the conduct of eligible marketing services activities on a matching fund basis. The States contribute at least half of the cost and perform the work with State personnel.

The amount of the Federal payment to a State is based upon an evaluation of the relative urgency of the marketing service problem confronting the State, the probable effectiveness of the proposed plan for solving or alleviating the problem, the ability of the State to carry out the program proposed, and the availability of matching funds.

41 States conducted 121 projects under the activity during fiscal year 1962.

Selected Examples of Recent Progress

Some examples of the work performed and results accomplished in representative States under the program in 1962 follow:

Reduced costs of operating milk routes.

By applying work simplification principles developed by the Department's research program to milk distribution, processing plants in Indiana were able to reduce costs of operating milk routes by at least 10 percent.

Increased sales of raspberries.

Washington-Oregon Berry Growers Association was assisted by the Washington Department of Agriculture in a promotion program for frozen red raspberries. Stores cooperating in the test promotion reported increased sales as much as 20 times greater than normal during the first year of the program and growers received from 1/2 to 1 cent per pound more for their berries during the 1961-62 marketing season.

Quality improvement of fruits and vegetables.

The quality improvement work carried on at the Birmingham, Alabama Farmers Market has resulted in substantially increased returns to producers and sparked the interest of large buyers seeking a volume source of uniformly graded and packaged fresh fruits and vegetables. Because of the success of the Birmingham market, similar projects have been initiated at the new farmers markets in Fort Payne, and Dothan, Alabama.

Quality maintenance of eggs.

In Arkansas, packers and jobbers of eggs were assisted and advised on supply and demand, proper grading, cleaning, transporting and storage of eggs to maintain quality. In one instance, a large egg producer-packer confronted with a serious problem of yolk mottling and discoloration was helped in finding the feed ingredient responsible for the inferior quality.

Kansas wheat quality survey by counties.

Information developed from the Kansas Wheat Quality Survey on test weight, protein content and sedimentation value of counties, was a significant factor in strengthening demand of buyers for Kansas wheat and for farmers receiving a higher average price for their 1962 wheat crop -- up to 26 cents more per bushel from 1961.

Standards developed for coffee.

Under the matching fund project initiated by Hawaii last year, preliminary grades and standards have been developed for Kona coffee, one of the State's important crops.

Improvement in quality of lettuce.

New Mexico lettuce shipped to terminal markets brought premium prices comparable to those received for lettuce from competitive areas for the first time in the history of the State's lettuce industry, as a result of the fruit and vegetable quality improvement work.

New lamb grading and marketing programs.

A newly developed lamb grading and marketing program in Pennsylvania whereby large lots of uniformly graded and sized lambs were brought together in special sales, resulted in participating farmers receiving premiums of $1 to $2 per lamb on the top grades and from $2 to $5 per lamb on the second grade.

Improved marketing of eggs.

As a result of activities under the marketing service egg program in New York, a 22-unit supermarket chain inaugurated a grower-distributor program under which locally produced eggs, handled in accordance with requirements of the Empire State trademark, are bringing premium prices and are the sole source of the chain's egg supply. Egg sales have doubled or tripled in most stores, increasing store traffic and accordingly boosting sales of other products.

State participation by fields of work. This work falls into four general fields; the number of States conducting projects and the distribution of payments under each category is show below:

Field of Work	No. of States 1962	No. of States 1963	Payments 1962	Payments 1963
1. Improving and maintaining the quality of agricultural commodities	28	31	$424,615	$500,000
2. Increasing markets for agricultural commodities	22	21	428,878	410,000
3. Increasing marketing efficiency and reducing costs	13	14	108,659	125,000
4. Assembling and disseminating marketing information including statistics and data on improved facilities and methods	33	33	362,848	390,000
			1,325,000	1,425,000

Distribution of Payments: The distribution of payments by States for 1962 and 1963 are shown in the following table:

DISTRIBUTION OF PAYMENTS BY STATES

State	F Y 1962	F Y 1963
Alabama	$24,000	$28,000
Alaska	7,000	9,000
Arkansas	11,875	11,876
California	100,000	100,000
Colorado	17,000	12,000
Connecticut	-	7,000
Florida	53,500	68,500
Georgia	40,186	40,186
Hawaii	5,400	7,400
Illinois	22,134	27,414
Indiana	46,325	43,196
Iowa	30,000	30,000
Kansas	51,407	47,407
Kentucky	38,500	40,000
Louisiana	60,941	75,941
Maine	55,500	53,500
Maryland	18,098	23,707
Massachusetts	11,718	11,718

	F Y 1962	F Y 1963
Michigan	$23,580	$23,212
Minnesota	43,848	43,848
Mississippi	54,000	69,000
Missouri	35,000	45,000
Montana	13,199	10,399
Nebraska	3,250	3,250
New Jersey	46,000	48,000
New Mexico	27,000	27,000
New York	67,448	64,552
North Carolina	60,718	50,718
North Dakota	52,451	52,451
Ohio	7,061	5,000
Oklahoma	23,000	23,000
Oregon	23,375	23,375
Pennsylvania	7,000	20,500
South Carolina	19,750	21,750
South Dakota	8,750	8,750
Tennessee	20,000	20,500
Texas	20,000	20,000
Vermont	9,845	9,567
Virginia	58,500	66,500
Washington	30,000	30,000
West Virginia	35,000	39,000
Wisconsin	42,641	46,249
Wyoming	-	9,500
Undistributed		7,034
Total	1,325,000	1,425,000

(d) Special Milk Program

Appropriation Act, 1963	$105,000,000
Proposed transfers, 1963, for increased pay costs, to:	
"Salaries and expenses," Agricultural Research Service	-3,225,000
"Marketing research and service," Agricultural Marketing Service	-1,335,000
"Salaries and expenses," Rural Electrification Administration	-440,000
Base for 1964	100,000,000
Budget Estimate, 1964	102,000,000
Increase	+2,000,000

SUMMARY OF INCREASES AND DECREASES, 1964

To provide for continuation of normal growth in the program	+1,975,300
Reduction to reflect estimated savings due to the installation of a centralized data processing operation (MODE) for personnel and payroll data	-2,000
For pay and postal costs pursuant to Public Law 87-793	+26,700
Net increase	+2,000,000

PROJECT STATEMENT

Project	1962 a/	1963 (estimated)	Increases and Decreases: Increased Pay and Postal Cost (P.L.87-793)	Other	1964 (estimated)
1. Cash payments to States	$89,492,820	$99,276,700	- -	+$1,975,300	$101,252,000
2. Operating expenses	614,897	b/ 723,300	+$26,700	-2,000	748,000
Subtotal	90,107,717	100,000,000	+26,700	+1,973,300(1)	102,000,000
Balance of Authorization	14,892,283	- -	- -	- -	- -
Total increased costs (P.L.87-793):					
Pay costs	(- -)	(25,350)	(+25,800)	(-150)	(51,000)
Postal costs	(- -)	(900)	(+900)	(- -)	(1,800)
Total available or estimate	105,000,000	100,000,000	+26,700(2)	+1,973,300	102,000,000
Transferred for increased pay costs: to:					
"Salaries & expenses," ARS	- -	+3,225,000			
"Marketing research and service," AMS	- -	+1,335,000			
"Salaries and expenses," REA	- -	+440,000			
Total appropriation or estimate	105,000,000	105,000,000			

a/ Financed through advances from Commodity Credit Corporation.
b/ Includes $3,300 estimated to be transferred to "Salaries and expenses, General Administration" during fiscal year 1963 for the Office of the Inspector General.

(1) A net increase of $1,973,300 consisting of:

(a) An increase of $1,975,300 under the project "Cash Payments to States" to provide for continuation of normal growth in the program.

Need for increase: In the year ending June 30, 1962, some 88,000 schools and child-care institutions in the 50 States served over 2.6 billion half-pints of milk to children at reduced prices, made possible through reimbursement payments under this program. This quantity amounted to more than 2.5% of the total non-farm consumption of fluid milk. This program, therefore, provides an outlet for substantial quantities of fluid milk which is in abundant supply and, at the same time, helps to improve the nutritional health of the Nation's children.

During the last 3 years (1960-1962) the number of outlets participating has increased between 2 and 3 percent each year. During this same period, the number of half-pints of milk reimbursed has increased on an average of about 7 percent per year. This growth pattern is expected to continue. The proposed increase would provide for a total program of reimbursement payments for nearly 3 billion half-pints of milk at an average of 3.40¢.

(b) A reduction of $2,000 in "Operating Expenses" to reflect estimated savings due to installation of a centralized data processing operation (MODE) for payroll and personnel data. (An explanation of this reduction is included in the Preface to these Explanatory Notes.)

(2) An increase of $26,700 in the project "Operating Expenses" for pay and postal costs pursuant to P.L. 87-793. (An over-all explanation of increases for pay and postal costs is included in the Preface to these Explanatory Notes in Volume 1.)

STATUS OF PROGRAM

Current Activities:

The Special Milk Program is aimed primarily at increasing the consumption of fluid milk by children. Nonprofit schools of high school grade and under, all nonprofit summer camps and child-care institutions devoted to the care and training of children, are eligible to participate in the program. From its inception in fiscal year 1955 through fiscal year 1962, the program was financed through advances from Commodity Credit Corporation funds. The Agricultural Act of 1961 (P.L. 87-128), approved August 8, 1961, changed the financing to a direct appropriation beginning July 1, 1962 and extended the authorization through June 30, 1967.

In 1962, milk consumed under the program, based on the half pints reimbursed, was nearly six times the quantity in 1955--the first year of the program. The volume amounted to more than 2.5% of the total nonfarm consumption of fluid milk. This was in addition to the 2.4 billion half pints used in the School Lunch Type A meals.

Operation of the program is as follows:

1. Assistance is provided, in the form of reimbursement payments, to eligible schools and child-care institutions to help them to inaugurate a milk service or to expand the existing service through reducing prices to children and establishing new times of service.

   a. The maximum rate of reimbursement in schools and institutions where milk is sold as a separately priced item is 3¢ per half pint except for schools which also serve Type A lunches in the National School Lunch Program. The latter may receive up to 4¢ reimbursement per half pint but may not claim reimbursement for milk served as part of the Type A lunch under the National School Lunch Program.

   b. In those schools and child-care institutions that do not sell milk as a separate item, the reimbursement rate is 2¢ per half pint for all milk served to children. In order to qualify for participation in the program such schools, camps and institutions must submit for approval the specific methods and practices by which they will increase milk consumption under the program.

   c. Special provisions were inaugurated in fiscal 1962 to provide assistance to those schools which, because of poor local economic conditions, had not been able to operate a food or milk service and were in need of special assistance to serve milk without charge to needy children. In 1963 this phase of the program has been made available also to needy schools already in this program but not serving lunches and which have a large number of children unable to pay for their milk.

Such schools must submit an application for such special assistance indicating the specific circumstances which would make them eligible for the program and stating that they will serve such milk without charge to needy children in the school. The level of Federal reimbursement for milk served to needy children without charge may be up to the cost of milk to such schools. The level of Federal reimbursement for milk served to paying children in such schools is in accordance with the regular reimbursement as outlined in (a) above.

2. Procedures have been established to assure that maximum use of the reimbursement payments is made to reduce the price of milk for children, as a means of encouraging increased consumption. Participating schools are permitted to use up to 1¢ to pay the cost of distributing the milk within the school. They may retain up to 1 1/2¢ for this purpose in instances where justified by unusually high labor costs or the rental or purchase of equipment.

3. The program is administered within the States by the State agencies to the greatest extent possible. Funds for reimbursement payments are advanced generally in nine monthly payments to State agencies in amounts consistent with anticipated program needs. AMS administers the program directly for private schools and other outlets where the State agency is prohibited by law from disbursing funds to such participants.

4. No Federal funds are used by the State agencies for administering this program in the States.

Selected examples of recent progress

Program Statistics by Fiscal Years

	Number of Outlets Participating	Half-pints Reimbursed (millions)	Total Reimbursement Payments
1955	41,094	449.8	$17,220,281
1956	62,266	1,394.2	45,842,194
1957	71,239	1,752.7	60,411,200
1958	76,478	1,918.2	66,290,970
1959	81,587	2,176.2	74,223,939
1960	83,922	2,384.7	80,440,881
1961	86,494	2,476.7	84,106,450
1962	88,191	2,645.9	89,492,820
1963 (est.)	90,000	2,850.0	99,200,000
1964 (est.)	92,000	2,978.0	101,252,000

From 1961 to 1962 the number of participating schools and institutions increased from 86,494 to 88,191. Of the latter figure there were 83,046 schools and 5,145 child-care institutions and summer camps. The number of one-half pints of milk reimbursed increased from nearly 2.5 billion in 1961 to over 2.6 billion in 1962. During this same period expenditures rose from $84.1 million to 89.5 million.

A total of 260 needy schools serving more than 8,000 children participated and consumed approximately 1.5 million half pints of milk under the limited experimental program of special assistance.

Number of Half-pints of Milk Reimbursed

Month	F.Y. 1961	F.Y. 1962
July	35,080	38,290
August	31,146	31,191
September	247,570	258,285
October	292,537	320,893
November	266,215	286,217
December	195,331	207,097
January	276,787	294,118
February	259,520	264,672
March	277,545	306,895
April	245,893	262,349
May	270,188	291,700
June	78,912	84,193
Total	2,476,724	2,645,900

The following table reports by State the number of outlets participating, number of half-pints reimbursed and obligations for 1961 and 1962.

State	No. of Outlets Participating		Est. No. ½ Pints Milk Reimb. (Mil.)		Obligations (Thousands)	
	1961	1962	1961	1962	1961	1962
Ala.	1,563	1,579	37.7	38.9	$1,230	$1,274
Alaska	51	62	.9	1.1	23	30
Ariz.	535	555	16.0	17.9	526	569
Ark.	1,105	1,084	18.0	17.6	676	716
Calif.	6,380	6,714	245.4	255.9	7,795	8,301
Colo.	1,093	1,117	26.1	24.2	832	842
Conn.	957	1,059	34.7	40.6	1,179	1,349
Del.	186	190	7.9	8.9	261	293
D.C.	201	253	13.4	16.8	405	494
Fla.	1,540	1,613	48.4	53.0	1,401	1,265
Ga.	1,696	1,762	30.3	32.2	1,032	1,115
Hawaii	218	220	5.4	5.6	191	188
Idaho	472	523	6.4	6.9	218	228
Ill.	4,434	4,334	173.9	179.2	6,014	6,312
Ind.	2,123	2,139	56.3	61.2	2,014	2,145
Iowa	2,274	2,261	47.9	49.1	1,762	1,796
Kans.	1,297	1,303	29.0	31.0	977	1,026
Ky.	1,641	1,774	38.4	43.7	1,443	1,634
La.	1,096	1,143	14.5	16.1	537	593
Maine	916	903	12.0	12.9	397	428
Md.	1,217	1,268	47.0	54.0	1,706	1,898
Mass.	2,769	2,840	91.6	102.0	2,895	3,303
Mich.	4,669	4,661	151.1	162.0	5,182	5,637
Minn.	2,748	2,807	66.4	70.1	2,441	2,544
Miss.	1,073	1,050	36.1	32.1	1,398	1,297
Mo.	3,043	3,045	65.8	70.6	2,400	2,546
Mont.	389	406	4.8	5.4	167	183
Nebr.	823	870	15.0	16.8	518	564
Nev.	169	173	3.0	3.3	85	91
N. Hamp.	434	449	8.6	10.4	284	333
N. J.	1,960	2,051	72.2	75.8	2,434	2,753
N. Mex.	576	615	25.5	26.9	698	775
N. Y.	5,434	5,594	250.3	254.2	9,098	8,928
N. Car.	2,188	2,173	47.6	54.5	1,579	1,912
N. Dak.	495	520	9.0	9.7	313	331
Ohio	4,134	4,258	160.5	175.0	5,182	5,565
Okla.	1,255	1,290	28.5	30.2	905	927
Oreg.	1,031	1,152	17.7	18.7	556	545
Pa.	5,078	4,793	128.7	139.3	4,047	4,326
R. I.	323	342	11.3	12.2	589	395
S. Car.	1,116	1,127	18.2	19.9	462	678
S. Dak.	658	690	13.7	14.1	370	430
Tenn.	2,261	2,264	55.3	59.1	1,829	1,975
Tex.	3,009	3,254	79.9	92.0	2,823	3,261
Utah	451	512	7.4	8.3	268	280
Vt.	410	403	5.2	5.8	175	185
Va.	1,601	1,749	46.2	50.0	1,609	1,662
Wash.	1,549	1,585	39.1	43.0	1,424	1,526
W. Va.	1,049	1,092	12.2	13.9	424	499
Wis.	4,544	4,297	92.0	99.1	3,178	3,381
Wyo.	260	273	4.2	4.7	154	165
Total	86,494	88,191	2,476.7	2,645.9	$84,106	$89,493

(e) School Lunch Program

	Direct Appropriation	Transfer from Sec. 32 funds	Total
Appropriation Act, 1963 and base for 1964	$125,000,000	$45,000,000	$170,000,000
Budget Estimate, 1964	137,000,000	45,000,000	182,000,000
Increase (for cash payments to States)	+12,000,000	- -	+12,000,000

PROJECT STATEMENT

Project	1962	1963 (estimated)	Increases and Decreases: Increased Pay and Postal Cost (P.L.87-793)	Increases and Decreases: Other	1964 (estimated)
1. Food assistance:					
a. Cash payments to States	$98,737,493	$108,600,000	- -	+$12,000,000(1)	$120,600,000
b. Commodity procurement	68,891,636	59,434,000	- -	-124,000(2)	59,310,000
2. Operating expenses	1,668,869	1,966,000	+$129,000	-5,000(3)	2,090,000
Subtotal a/	169,297,998	170,000,000	+129,000	+11,871,000	182,000,000
Unobligated balance	702,002	- -	- -	- -	- -
Total increased costs (P. L. 87-793):					
Pay costs	(- -)	(66,300)	(60,900)	(-400)	(126,800)
Postal costs	(- -)	(1,560)	(1,560)	(- -)	(3,120)
Total available or estimate	170,000,000	170,000,000 b/	+129,000(4)	+11,871,000	182,000,000
Transferred from "Removal of Surplus Agricultural Commodities"	-45,000,000	-45,000,000	- -	- -	-45,000,000
Total appropriation or estimate	125,000,000	125,000,000	+129,000	+11,871,000	137,000,000

a/ Represents obligations. Applied costs for 1962 are $169,315,992. The difference of $17,994 reflects, primarily, the excess of commodities used in 1962 over commodities ordered in that year.

b/ Includes $7,100 estimated to be transferred to "Salaries and expenses, General Administration", during fiscal year 1963 for the Office of the Inspector General.

INCREASES AND DECREASES

(1) An increase of $12,000,000 for cash payments to States, which includes:

(a) $10,000,000 to lessen the impact of transition to the new formula and keep pace with growth in participation in the program.

The School Lunch Program continues to grow each year. Participation, in terms of lunches served is increasing on the average about 6 percent per year. On this basis it can be expected that an additional 153.7 million meals will be served in 1964. An average reimbursement rate of 4.2¢ is currently estimated for 1963. At this average rate, about $6.5 million will be needed in 1964 to provide for this normal growth without reducing the national average Federal reimbursement rate.

The amendment to the School Lunch Act approved October 15, 1962, P. L. 87-823, revised the formula for distributing cash payments to the States to include the factor of "participation rate for the State" instead of "number of school children in the State".

During fiscal year 1963--the first year of transition--75 percent of the $108.6 million ($10 million more than was available for apportionment in 1962) available were apportioned to States under the old formula and 25 percent under the revised formula.

During fiscal year 1964--the second year of transition--the apportionment will consist of 50 percent to States under the old formula and 50 percent under the new. As a result of this change some States will receive a substantially larger share of the payments because of a more rapid rate of program expansion. Although the new formula provides a more equitable basis for the distribution of funds, some States will suffer significant reduction in Federal funds during 1964 unless substantial increases in participation occur.

The $10 million increase requested would provide for, (in addition to program growth) some lessening of the amount of funds which will be lost in these States. Assuming continuation of the normal 6% growth pattern the average Federal reimbursement rate in 1964 would be nearly 4.4¢.

(b) $2,000,000 to initiate a program of special cash assistance to certain schools to help them serve free or reduced-price lunches.

The School Lunch Act, as amended by P. L. 87-823, includes a new section (section 11) authorizing an appropriation of the necessary funds to assist schools, drawing attendance from areas in which poor economic conditions exist, in serving free or reduced-price lunches.

In 1962, during the peak month, the School Lunch Program reached about 1/3 of the 43.4 million school children in this country. Over 2.4 billion lunches were served to these children. About 1 out of 10 of these lunches was served free or at reduced prices to around 1 million children who could not afford to pay the full price of the lunch. However, large numbers of children in large urban centers and in rural areas do not now have access to a lunch program. Also many schools in economically depressed areas with a lunch program cannot finance all of the free or reduced price lunches which should be served.

This situation results from the fact that the amount of cash assistance that can be provided to these schools under the regular cash assistance together with the limited resources the community can provide, including a token charge of a few pennies from some of the children, is not sufficient to finance the cost of serving lunches to these children.

The $2,000,000 requested for initiating special assistance would permit about 13.3 million meals to be served in these needy schools. This would increase by around 10% the number of children that could receive free or reduced price lunches.

These funds would be distributed among the States in accordance with the formula contained in Section 11 of the School Lunch Act, as amended.

(2) A decrease of $124,000 in Section 6 commodity procurement to offset the increase in operating expenses due primarily to increased pay and postal costs.

(3) A reduction of $5,000 to reflect estimated savings due to the installation of a centralized data processing operation (MODE) for payroll and personnel data. An explanation of this reduction is included in the preface to these Explanatory Notes.

(4) An increase in obligations of $129,000 for increased pay and postal costs pursuant to Public Law 87-793. (An over-all explanation of increases for pay and postal costs is included in the Preface to these Explanatory Notes in Volume 1.)

STATUS OF PROGRAM

The School Lunch Program is designed to:

1. Broaden the market for agricultural food commodities by:

   a. Providing an expanded market for agricultural commodities through local purchases of food by school lunch programs in commercial channels of trade;

   b. Serving as a valuable and constructive outlet for agricultural commodities purchased by the Department to alleviate local and seasonal surpluses;

   c. Expanding the outlet for highly nutritious foods, particularly in areas of nutritional deficiencies;

   d. Introducing a wider variety of foods, thus creating a demand for commodities that many families otherwise would not buy.

2. Improve the health and well-being of the Nation's children by:

   a. Providing them a well-balanced nutritious lunch at school which helps to supply the kind and amount of foods children need.

      Experience indicates that children who get lunch under this program compared with those who do not, show:

      (1) more rapid gain in weight and height;

      (2) better attendance records;

      (3) improvement in scholastic standing;

      (4) better deportment;

      (5) higher resistance to colds and other illnesses.

   b. Developing proper and nutritionally beneficial food habits which will continue in later life.

Current activity under the program includes:

1. Furnishing cash assistance to schools for local food purchases by:

   a. Apportioning among the States and Possessions a minimum of 75% of the total appropriated funds available on the basis of need for assistance as indicated by:

      (1) Relation of the per capita income in the United States to the per capita income in the State.

(2) State population of children, aged 5 to 17 inclusive. Effective July 1, 1962 the factor of participation (number of lunches served) is being used instead of school-age population.

b. Making periodic advances of the apportioned funds to State agencies to enable them to reimburse participating schools for a portion of the food cost of lunches served when the schools:

(1) agree to operate on a nonprofit basis and observe limitations on use of program funds;

(2) serve lunches meeting minimum nutritional requirements prescribed by the Secretary of Agriculture;

(3) offer lunch to all children attending the school and supply it without cost or at reduced price to all children who are unable to pay the full price thereof;

(4) make no discrimination against any child because of his inability to pay the full price thereof;

(5) agree to purchase commodities designated by the Department as being in abundance in as large quanitites as may be utilized;

(6) accept and use, to the extent possible, such foods as may be offered as a donation by the Department;

(7) maintain full and accurate records of its lunch program.

c. Paying the funds directly to over 2,800 participating private schools in 28 States and Guam where State laws forbid disbursement of Federal funds by State Agencies to private schools. (A proportionate share of the State's total apportionment, determined by relative enrollment data, is set aside for this purpose.)

2. Furnishing food items to schools for lunch programs by distributing to schools through State distributing agencies, commodities acquired under:

a. Section 6, National School Lunch Act. Commodities are purchased on the basis of their nutritional value and acceptability, and distributed to schools participating in the school lunch program under this act. In addition, under authority contained in the annual Appropriation Act, funds are transferred from Section 32 for the purchase and distribution of agricultural commodities and other foods pursuant to Section 6 of the National School Lunch Act.

b. Removal of Surplus Agricultural Commodities (Section 32, Act of August 24, 1935, as amended.) Commodities purchased under surplus removal programs are donated to authorized outlets, including all eligible school lunch programs.

c. Commodity Credit Corporation. (Section 416, Agricultural Act of 1949, as amended.) Commodities acquired under price support programs may be donated to authorized outlets, including all eligible school lunch programs.

3. Furnishing administrative and technical assistance to State agencies and participating schools with respect to:

a. management of funds;
b. purchase and storage of foods;
c. proper use of equipment;
d. preparation and serving of meals;
e. maintenance of records and preparation of reports;
f. development of recipes, particularly to utilize donated and plentiful commodities;
g. increasing participation in program;
h. the adequacy of program operations;
i. in-service workshop training meetings.

Emphasis is continuing in the field of in-service training for local school lunch personnel -- directly with private schools administered by the Department and cooperatively with State agencies. Training materials such as flip-charts, slides, films, scripts and sound tapes have been classified and catalogued and made available for use in private school workshops and for loan to State agencies.

4. Making reports which provide for:

a. administrative reviews in individual schools;
b. comprehensive administrative analyses of State agencies' operation under the program;
c. annual audits of the records of State agencies and selected schools;

Program policy is to encourage and assist State educational agencies to assume increasing responsibility for the administration of the program. In addition to the responsibility for the administrative review of individual programs which all States have assumed, 17 States have assumed responsibility for individual school audit programs.

Examples of recent progress and trends:

The School Lunch Program furnished over 2.4 billion complete lunches to over 32% of the Nation's 43,415,735 school children in the fiscal year 1962. This program also utilized 3.8 billion pounds of food, of which 3.0 billion pounds were purchased in local markets and .8 billion pounds were donated by the Department. In 1962, each dollar of Federal cash assistance resulted in the expenditure of over $6 for food in local markets throughout the country.

1. Peak month participation was 14.2 million children in 1962--5.4% over 1961

Participation in the National School Lunch Program
Fiscal Years 1961 and 1962, by month

Month	No. of Schools		No. of Children	
	Fiscal Years			
	1961	1962	1961	1962
July	2,150	2,166	147,773	139,529
August	5,613	5,628	824,104	823,134
September	61,259	62,167	12,801,132	13,630,588
October	62,176	62,904	13,087,171	13,758,803
November	63,544	64,089	13,394,327	14,133,296
December	63,961	64,447	13,453,862	14,184,068
January	63,690	65,900	13,211,120	13,939,517
February	64,271	65,837	12,979,280	13,747,709
March	64,303	65,965	12,937,129	13,905,161
April	63,842	64,780	12,682,295	13,663,530
May	62,399	64,287	12,402,981	13,512,983
June	22,060	17,389	3,812,463	3,509,520
Average, Sept.-June	59,150	59,776	12,076,176	12,798,518
Peak Number	64,303	65,965	13,453,862	14,184,068
Peak Month	March	March	December	December

Year to year comparisons in number of schools participating are affected by the school consolidation program.

2. Special Food Assistance to Needy Schools

The Department's 1962 Appropriation Act provided an additional $10,000,000 for Section 6 commodity assistance and authorized the use of up to $2-1/2 million of these funds to provide special food assistance to needy schools which, because of poor local economic conditions (1) have not been operating a school lunch program, or (2) have been serving free or at substantially reduced prices at least 20 percent of the lunches to children.

An experimental program was inaugurated in 300 needy schools in 23 States, which because of their poor economic conditions had not previously been able to operate a lunch program. The 22,000 children participating in these schools were served a nutritionally adequate lunch for 100 school days, from commodities purchased especially for their needs. The special commodity assistance program was not extended to schools serving 20 percent or higher free lunches (the additional group of needy schools specified in the legislation). However, extra quantities of commodities, particularly protein-rich foods, were supplied to these needy schools already in the program but in which many children were unable to pay for the lunch. In addition, the Department worked with States to insure that those schools serving a relatively large proportion of free meals received special consideration in the distribution of regular school lunch cash and commodity assistance. Department Regulations governing the program were amended to provide up to a maximum of 15 cents in cash reimbursement for Type A lunches served in such schools. The regular maximum Type A rate is 9 cents.

3. Selected Statistical Material and Analyses

The following tables present analyses of the growth and scope of the School Lunch Program:

Tables I and I-a	- Source of Funds, Matching Requirements and Participation, in the first year of operation and the latest 4 years and analyses.
Tables II IIa and IIb	- Apportionment by States, 1963.
Table III	- Federal and State financing 1962, by States.
Table IV	- Children and Schools participating 1962, be States.
Table V	- Commodities distributed in 1961 and 1962, by quantity and cost.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

TABLE I

School Lunch Program

Source of Funds including Special Milk, Matching Requirements and Participation in the Program
Fiscal Year 1947 (First Year) and Fiscal Years 1960 - 1963

Item	1947	1960	1961	1962	1963 (Est.)
1. Method of Financing Program					
Contributions from Federal Sources					
a. Direct appropriation					
School Lunch Act					
Cash payments-Food (obligations)	$59,853,146	$93,647,348	$93,633,727	$98,737,493	$108,600,000
Section 6 (distribution) 1/	5,735,269	61,108,847	61,080,734	68,175,830	59,434,000
Total	65,588,415	154,756,195	154,714,461	166,913,323	168,034,000
b. Donated Commodities					
Section 32	2,312,479	28,602,391	58,617,957	29,085,786	16,100,000
C.C.C. (Section 416)	--	42,313,432	13,005,475	83,940,904	90,800,000
Total	2,312,479	70,915,823	71,623,432	113,026,690	106,900,000
c. Special Milk Program	--	78,038,019	81,409,696	83,882,141	92,950,000
Total, Federal Contributions	67,900,894	303,710,037	307,747,589	363,822,154	367,884,000
Contributions from State Sources					
a. Direct appropriation					
State and local	20,616,000	92,608,000	94,943,000	93,920,000	105,000,000
b. Other local contributions	17,532,000	127,522,000	134,898,000	151,513,000	165,000,000
c. Payments by children	112,540,000	555,707,000	594,840,000	642,374,000	693,000,000
Total, State Contributions	150,688,000	775,837,000	824,681,000	807,313,000	963,000,000
Total Contributions, Federal and State	218,588,894	1,079,547,037	1,132,428,589	1,251,635,154	1,330,884,000
2. Matching 2/					
Federal apportionment of cash to States	$62,338,155	$93,814,400	$93,746,304	$98,760,000	108,600,000
Required by States under School Lunch Act	$55,877,690	$237,439,706	$241,092,465	N A	N A
Contributed by States	$150,688,000	$775,837,000	$824,681,000	N A	N A
3. School Enrollment (Thousands)	26,600	40,664	42,205	43,416	45,650
4. Participation in Program					
a. Number of schools (month of peak participation by children) 3/	44,537	62,325	63,961	64,447	64,800
b. Number of children (Peak-thousands)	6,016	12,915	13,527	14,265	15,053
Types A and B lunches	4,506	12,839	13,454	14,184	14,964
Type C lunches	1,510	76	73	81	89
c. Number of meals served (Millions)	910.9	2,153.0	2,275.4	2,429.4	2,576.8
Type A: With Milk - Number (Millions)	527.4	2,134.2	2,255.0	2,405.7	2,550.0
Percent of total	57.9	99.1	99.1	99.0	98.9
Without Milk - Number (Millions)	129.6	8.1	10.0	11.3	12.0
Percent of total	14.2	.4	.4	.5	.5
Type B: With Milk - Number (Millions)	17.8	-	-	-	-
Percent of total	2.0	-	-	-	-
Without Milk - Number (Millions)	7.4	-	-	-	-
Percent of total	.8	-	-	-	-
Type C - Number (Millions)	228.7	10.7	10.4	12.4	14.8
Percent of total	25.1	.5	.5	.5	.6
d. Number of free or reduced-price lunches served (Mil.)	109.4	217.2	228.1	239.4	256.0
Free or reduced-price lunches as percent of total lunches served	12.0	10.0	10.0	9.9	9.9
5. Foods bought in local markets with Federal cash payments and State contributions	$128,648,278	$539,500,000	$575,000,000	$600,000,000	$635,000,000
6. Total Appropriation 4/	$81,000,000	$153,657,248	$155,000,000	$170,000,000	$170,000,000

1/ Represents year in which commodities were distributed; not necessarily year in which funds were obligated.

2/ State matching requirements per Federal dollar are as follows: 1947-1950 $1.00 to $1.00; 1951-1955 $1.50 to $1.00; thereafter $3.00 to $1.00 EXCEPT that for States with per capita income below the National average the ratio required is decreased by the percentage which the State per capita income is below the per capita income of the United States. Lowest matching requirement for 1947-1950 was $.46 to $1.00; for 1951-1955 $.73 to $1.50; for 1956-1960 $1.41 to $3.00; 1961 $1.54 to $3.00 and 1962 $1.59 to $3.00.

3/ Beginning in 1959 excludes schools serving only Type C lunches.

4/ Includes funds authorized to be transferred from Section 32 for the purchase and distribution of agricultural commodities.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
National School Lunch Program

Table Ia

Analyses of Source of Funds, Matching Requirements and Participation in the Program
Fiscal Year 1947 (First Year) and Fiscal Years 1960-1963

Item	a/ 1947	1960	1961	1962	1963 Prelim.
1. Total cost per lunch (includes all lunches except Type C)	30.8¢	46.7¢	46.5¢	48.5¢	48.3¢
a. Federal contributions (excl. Special Milk)	9.7	10.5	10.0	11.6	10.7
b. State and local contributions	5.6	10.3	10.2	10.3	10.5
c. Children's payments	15.5	25.9	26.3	26.6	27.1
2. Average rate of reimbursements from Federal cash payments per Type A lunch	8.7	4.4	4.1	4.1	4.2
3. Annual contribution per child (Excludes children participating in Type C programs)	$46.68	$78.01	$78.13	$82.63	$82.73
a. Federal (Excludes Special Milk):					
Cash payments	12.97	7.30	6.96	6.96	7.26
Donated commodities	1.79	10.28	9.87	12.78	11.12
Total, Federal	14.76	17.58	16.83	19.74	18.38
b. State and local contributions	8.47	17.15	17.08	17.63	18.04
c. Children's payments	23.45	43.28	44.22	45.26	46.31
4. Percent of enrollment participating	16.9%	31.6%	31.9%	32.7%	32.6%
5. Average number of children participating per school	101	206	210	220	231

a/ Participation in the Type C lunch decreased rapidly after enactment of the Special Milk Program in 1955. To show comparability, funds and participation have been adjusted by the Type C contributions.

TABLE II

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Washington 25, D. C.

SL-1-63

NATIONAL SCHOOL LUNCH PROGRAM

APPORTIONMENT BY STATES OF FUNDS AVAILABLE FOR THE NATIONAL SCHOOL LUNCH PROGRAM
FISCAL YEAR 1963

STATE	FUNDS APPORTIONED UNDER: a/		TOTAL b/ APPORTIONMENT	STATE AGENCY	PRIVATE SCHOOLS	MATCHING PERCENT REQUIRED c/
	Original Formula	Revised Formula				
	(1)	(2)	(3)	(4)	(5)	(6)
	$	$	$	$	$	
Alabama	2,309,081	885,136	3,194,217	3,115,399	78,818	197.79054
Alaska	77,817	13,900	91,717	91,717	--	300.00000
Arizona	647,116	220,231	867,347	818,143	49,204	274.94476
Arkansas	1,256,342	537,419	1,793,761	1,744,656	49,105	191.69244
California	5,101,997	1,147,996	6,249,993	6,249,993	--	300.00000
Colorado	696,052	255,705	951,757	881,604	70,153	300.00000
Connecticut	770,179	219,398	989,577	989,577	--	300.00000
Delaware	136,800	49,119	185,919	182,166	3,753	300.00000
District of Columbia	173,509	25,708	199,217	199,217	--	300.00000
Florida	2,222,067	969,018	3,191,085	3,082,591	108,494	260.49492
Georgia	2,464,590	1,166,402	3,630,992	3,630,992	--	218.60362
Guam	58,550	8,214	66,764	42,397	24,367	184.26867
Hawaii	270,389	193,877	464,266	432,478	31,788	300.00000
Idaho	393,578	136,026	529,604	515,179	14,425	239.54927
Illinois	3,308,912	829,418	4,138,330	4,138,330	--	300.00000
Indiana	2,001,156	634,767	2,635,923	2,635,923	--	293.37163
Iowa	1,226,131	541,445	1,767,576	1,555,520	212,056	281.57313
Kansas	940,691	333,423	1,274,114	1,274,114	--	283.56164
Kentucky	1,879,847	849,230	2,729,077	2,729,077	--	215.42201
Louisiana	2,102,340	1,326,512	3,428,852	3,428,852	--	215.55457
Maine	499,483	141,378	640,861	561,891	78,970	244.32170
Maryland	1,192,167	334,810	1,526,977	1,446,853	80,124	300.00000
Massachusetts	1,710,429	553,035	2,263,464	2,263,464	--	300.00000
Michigan	3,356,494	634,081	3,990,575	3,467,966	522,609	300.00000
Minnesota	1,545,684	648,461	2,194,145	1,888,633	305,512	284.88732
Mississippi	1,951,434	781,669	2,733,103	2,733,103	--	162.92532
Missouri	1,687,724	632,496	2,320,220	2,320,220	--	298.80689
Montana	345,902	92,995	438,897	403,848	35,049	260.22978
Nebraska	600,053	193,589	793,642	660,931	132,711	287.40610
Nevada	84,772	20,358	105,130	103,126	2,004	300.00000
New Hampshire	259,430	72,683	332,113	332,113	--	282.36854
New Jersey	1,930,231	318,176	2,248,407	1,894,306	354,101	300.00000
New Mexico	578,354	172,276	750,630	750,630	--	239.68184
New York	4,901,573	1,639,312	6,540,885	6,540,885	--	300.00000
North Carolina	2,910,920	1,437,207	4,348,127	4,348,127	--	217.67565
North Dakota	421,917	163,859	585,776	517,180	68,596	207.07026
Ohio	3,893,119	1,039,182	4,932,301	4,289,840	642,461	300.00000
Oklahoma	1,160,414	396,991	1,557,405	1,557,405	--	250.41980
Oregon	750,030	253,916	1,003,946	1,003,946	--	300.00000
Pennsylvania	4,449,602	1,093,934	5,543,536	4,717,271	826,265	299.73487
Puerto Rico	2,756,468	749,040	3,505,508	3,505,508	--	83.51745
Rhode Island	326,068	54,491	380,559	380,559	--	298.27662
South Carolina	1,864,175	856,480	2,720,655	2,690,497	30,158	189.96907
South Dakota	365,672	106,382	472,054	472,054	--	248.56385
Tennessee	2,196,545	869,346	3,065,891	3,005,694	60,197	212.77066
Texas	4,758,864	1,250,282	6,009,146	5,764,823	244,323	264.20680
Utah	492,661	211,599	704,260	700,114	4,146	263.67654
Vermont	198,489	50,987	249,476	249,476	--	251.74547
Virginia	2,020,006	744,415	2,764,421	2,690,086	74,335	252.93858
Virgin Islands	30,628	18,289	48,917	48,917	--	103.40256
Washington	1,144,647	369,644	1,514,291	1,452,875	61,416	300.00000
West Virginia	1,146,716	373,919	1,520,635	1,479,642	40,993	224.03889
Wisconsin	1,716,880	475,512	2,192,392	1,672,019	520,373	290.85285
Wyoming	146,555	50,012	196,567	196,567	--	300.00000
Samoa, American	18,750	6,250	25,000	25,000	--	26.51348
Total	81,450,000	27,150,000	108,600,000	103,873,494	4,726,506	--

a/ Section 4 of the National School Lunch Act, as amended by PL 87-823, approved October 15, 1962, provides for apportionment among the States during each fiscal year not less than 75 percent of the funds made available for supplying agricultural commodities and other foods. "State" is defined in the Act as any of the fifty States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, or American Samoa. Apportionment among the States shall be made on the basis of two factors: (1) the participation rate for the State and (2) the assistance need rate for the State (exclusive of American Samoa for the five fiscal year periods beginning July 1, 1962 and ending June 30, 1967 when the amount apportioned to American Samoa shall be $25,000 each year). Notwithstanding the foregoing provisions of Section 4, for the fiscal year beginning July 1, 1962, three-quarters of any funds available for apportionment among the States shall be apportioned in the manner used prior to such fiscal year, and one-quarter of any such funds shall be apportioned in accordance with the foregoing provisions of Section 4.

b/ Total of funds apportioned in accordance with Section 4 of the National School Lunch Act, as amended. Division of funds between State Agency and private schools is based on the relative number of lunches served in public and nonprofit private schools as provided in Section 10 of the National School Lunch Act for any State in which the State Educational Agency by law is not permitted to disburse funds paid to it under the Act to nonprofit private schools.

c/ Section 7 of the National School Lunch Act provides that, during fiscal year 1963, each State must match three dollars for each dollar of the Federal Government's apportionment to the State, except that, in the case of a State in which the per capita income is below that of the United States, the matching ratio required is decreased by the percentage which the State's per capita income is below the per capita income of the United States. The actual amount of funds required for matching is then determined by taking this percentage of the amount of the total Federal apportionment to the State.

NOTE: Details of apportionment under original formula and revised formula shown in Tables SL-1b-63 and SL-1c-63.

FDD-12/14/62
Agriculture-Washington

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Washington 25, D. C.

TABLE IIa

SL-1b-63

NATIONAL SCHOOL LUNCH PROGRAM

APPORTIONMENT BY STATES OF SEVENTY-FIVE PERCENT OF FUNDS AVAILABLE
FOR THE NATIONAL SCHOOL LUNCH PROGRAM a/
FISCAL YEAR 1963

STATE	PER CAPITA INCOME IN 1961 (U.S. $2,263) (1)	PER CAPITA INCOME INDEX b/ (2)	POPULATION 5-17 YEARS APRIL 1, 1960 (3)	STATE INDEX c/ (4)	STATE QUOTIENT (5)	AMOUNT OF APPORTIONMENT d/ (6)
	$					$
Alabama	1,492	1.51676	899,614	1,364,498.53	.0293497	2,309,081
Alaska	2,692	.84064	54,703	45,985.53	.0009891	77,817
Arizona	2,074	1.09113	350,463	382,400.69	.0082252	647,116
Arkansas	1,446	1.56501	474,380	742,409.44	.0159688	1,256,342
California	2,780	.81403	3,703,688	3,014,913.14	.0648492	5,101,997
Colorado	2,421	.93474	440,031	411,314.58	.0088472	696,052
Connecticut	2,895	.78169	582,227	455,121.02	.0097894	770,179
Delaware	3,013	.75108	107,632	80,840.24	.0017388	136,800
District of Columbia	3,124	.72439	141,540	102,530.16	.0022054	173,509
Florida	1,965	1.15165	1,140,173	1,313,080.24	.0282437	2,222,067
Georgia	1,649	1.37235	1,061,243	1,456,396.83	.0313263	2,464,590
Guam	1,390	(1.84133)	18,791	34,600.43	.0007442	58,550
Hawaii	2,407	.94017	169,951	159,782.83	.0034368	270,389
Idaho	1,807	1.25235	185,712	232,576.42	.0050026	393,578
Illinois	2,672	.84693	2,308,727	1,955,330.16	.0420581	3,308,912
Indiana	2,213	1.02259	1,156,414	1,182,537.39	.0254358	2,001,156
Iowa	2,124	1.06544	680,054	724,556.73	.0155848	1,226,131
Kansas	2,139	1.05797	525,423	555,881.77	.0119567	940,691
Kentucky	1,625	1.39262	797,673	1,110,855.37	.0238939	1,879,847
Louisiana	1,626	1.39176	892,633	1,242,330.90	.0267219	2,102,340
Maine	1,843	1.22789	240,380	295,160.20	.0063487	499,483
Maryland	2,472	.91545	769,549	704,483.63	.0151531	1,192,167
Massachusetts	2,598	.87105	1,160,368	1,010,738.55	.0217405	1,710,429
Michigan	2,270	.99692	1,989,576	1,983,448.11	.0426629	3,356,494
Minnesota	2,149	1.05305	867,373	913,387.14	.0196465	1,545,684
Mississippi	1,229	1.84133	626,264	1,153,158.69	.0248038	1,951,434
Missouri	2,254	1.00399	993,360	997,323.51	.0214519	1,687,724
Montana	1,963	1.15283	177,306	204,403.68	.0043966	345,902
Nebraska	2,168	1.04382	339,700	354,585.65	.0076270	600,053
Nevada	3,003	.75358	66,475	50,094.23	.0010775	84,772
New Hampshire	2,130	1.06244	144,295	153,304.78	.0032975	259,430
New Jersey	2,714	.83382	1,367,953	1,140,626.57	.0245343	1,930,231
New Mexico	1,808	1.25166	273,051	341,767.01	.0073512	578,354
New York	2,848	.79459	3,645,247	2,896,476.81	.0623017	4,901,573
North Carolina	1,642	1.37820	1,248,110	1,720,145.20	.0369994	2,910,920
North Dakota	1,562	1.44878	172,090	249,320.55	.0053628	421,917
Ohio	2,330	.97124	2,368,676	2,300,552.88	.0494837	3,893,119
Oklahoma	1,889	1.19799	572,391	685,718.69	.0147495	1,160,414
Oregon	2,273	.99560	445,173	443,214.24	.0095333	750,030
Pennsylvania	2,261	1.00088	2,627,082	2,629,393.83	.0565569	4,449,602
Puerto Rico	630	(3.59206)	809,529	(2,907,876.74)	(.9800776)	2,756,468
Rhode Island	2,250	1.00578	191,573	192,680.29	.0041445	326,068
South Carolina	1,433	1.57920	697,563	1,101,591.49	.0236947	1,864,175
South Dakota	1,875	1.20693	179,036	216,083.92	.0046479	365,672
Tennessee	1,605	1.40997	920,586	1,297,998.64	.0279193	2,196,545
Texas	1,993	1.13547	2,476,637	2,812,147.01	.0604878	4,758,864
Utah	1,989	1.13776	255,876	291,125.48	.0062620	492,661
Vermont	1,899	1.19168	98,425	117,291.10	.0025229	198,489
Virginia	1,908	1.18606	1,006,422	1,193,676.88	.0256754	2,020,006
Virgin Islands	780	(1.84133)	9,829	18,098.43	.0003893	30,628
Washington	2,381	.95044	711,674	676,403.44	.0145491	1,144,647
West Virginia	1,690	1.33905	506,050	677,626.25	.0145754	1,146,716
Wisconsin	2,194	1.03145	983,619	1,014,553.82	.0218225	1,716,880
Wyoming	2,272	.99604	86,948	86,603.69	.0018628	146,555
Samoa, American	--	--	--	--	--	18,750
Total	--	--	44,719,258	46,491,126.79 e/	1.0000000 e/	81,450,000

a/ Apportionment of 75 percent of funds made available for supplying agricultural commodities and other foods in fiscal year beginning July 1, 1962 as required by Section 4 of the National School Lunch Act, as amended by PL 87-823, approved October 15, 1962. This Section requires that for fiscal year 1963, 25 percent of funds available for cash assistance be apportioned under the formula contained in the revised Section and 75 percent be apportioned in the manner used prior to such fiscal year.

b/ United States per capita income ($2,263) divided by State per capita income, except for Guam and the Virgin Islands which are assigned the same per capita income index as Mississippi in accordance with the initial amendment to Section 4 of the National School Lunch Act. This amendment provides that the apportionment to Guam, Puerto Rico and the Virgin Islands shall not exceed 3 percent of the funds appropriated except that in the case of the first apportionment from any annual or supplemental appropriation, the apportionment to Guam, Puerto Rico and the Virgin Islands shall not be less than that amount which will result in an allotment per child of school age equal to the allotment per child of school age in the State (other than Guam, Puerto Rico and the Virgin Islands) having the lowest per capita income among the States participating in such first apportionment.

c/ Per capita income index multiplied by population of ages 5-17 inclusive.

d/ Seventy-five percent of total funds available for apportionment multiplied by State quotients.

e/ Total does not include State Index or quotient for Puerto Rico or American Samoa. Apportionment for Puerto Rico was determined in accordance with footnote (b), and for American Samoa in accordance with Section 4 of the Act, as amended.

FDD 12/17/62
Agriculture-Washington

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Washington 25, D. C.

TABLE IIb

SL-lc-63

NATIONAL SCHOOL LUNCH PROGRAM

APPORTIONMENT BY STATES OF TWENTY-FIVE PERCENT OF FUNDS AVAILABLE
FOR THE NATIONAL SCHOOL LUNCH PROGRAM a/
FISCAL YEAR 1963

STATE	PARTICIPATION RATE b/	PER CAPITA INCOME c/ (U.S. $2,214)	PER CAPITA INCOME INDEX d/	ASSISTANCE NEED RATE e/	STATE INDEX f/	STATE QUOTIENT	AMOUNT OF APPORTIONMENT g/
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
		$					$
labama	60,898,922	1,459	1.51748	7.6	4,628,318	3.26092	885,136
laska	1,453,696	2,661	.83202	5.0	72,685	.05121	13,900
rizona	20,937,671	2,011	1.10094	5.5	1,151,572	.81135	220,231
rkansas	34,692,968	1,370	1.61606	8.1	2,810,130	1.97990	537,419
alifornia	120,055,933	2,724	.81278	5.0	6,002,797	4.22932	1,147,996
olorado	26,741,256	2,300	.96261	5.0	1,337,063	.94204	255,705
onnecticut	22,944,355	2,832	.78178	5.0	1,147,218	.80828	219,398
elaware	5,136,796	2,989	.74072	5.0	256,840	.18096	49,119
istrict of Columbia	2,688,553	3,007	.73628	5.0	134,428	.09471	25,708
lorida	90,480,951	1,963	1.12787	5.6	5,066,933	3.56995	969,018
eorgia	88,391,845	1,606	1.37858	6.9	6,099,037	4.29713	1,166,402
uam	530,265	1,367	1.61960	8.1	42,951	.03026	8,214
awaii	20,275,298	2,278	.97191	5.0	1,013,765	.71426	193,877
daho	11,472,068	1,787	1.23895	6.2	711,268	.50113	136,026
llinois	86,739,500	2,624	.84375	5.0	4,336,975	3.05565	829,418
ndiana	65,081,370	2,168	1.02122	5.1	3,319,150	2.33854	634,767
owa	52,429,188	2,038	1.08636	5.4	2,831,176	1.99473	541,445
ansas	32,286,098	2,062	1.07371	5.4	1,743,449	1.22836	333,423
entucky	62,543,267	1,557	1.42197	7.1	4,440,572	3.12864	849,230
ouisiana	100,525,131	1,613	1.37260	6.9	6,936,234	4.88699	1,326,512
aine	12,321,033	1,835	1.20654	6.0	739,262	.52085	141,378
aryland	35,013,834	2,400	.92250	5.0	1,750,692	1.23347	334,810
assachusetts	57,835,766	2,513	.88102	5.0	2,891,788	2.03743	553,035
ichigan	66,311,384	2,279	.97148	5.0	3,315,569	2.33601	634,081
innesota	62,791,721	2,067	1.07112	5.4	3,390,753	2.38899	648,461
ississippi	45,414,334	1,183	1.87151	9.0	4,087,290	2.87974	781,669
issouri	66,145,363	2,204	1.00454	5.0	3,307,268	2.33017	632,496
ontana	8,683,318	1,988	1.11368	5.6	486,266	.34260	92,995
ebraska	19,099,236	2,098	1.05529	5.3	1,012,260	.71320	193,589
evada	2,129,118	2,850	.77684	5.0	106,456	.07500	20,358
ew Hampshire	7,038,120	2,068	1.07060	5.4	380,058	.26777	72,683
ew Jersey	33,274,307	2,655	.83390	5.0	1,663,715	1.17219	318,176
ew Mexico	14,767,493	1,811	1.22253	6.1	900,817	.63468	172,276
ew York	171,437,031	2,783	.79554	5.0	8,571,852	6.03937	1,639,312
orth Carolina	105,845,834	1,566	1.41379	7.1	7,515,054	5.29480	1,437,207
orth Dakota	12,599,987	1,626	1.36162	6.8	856,799	.60367	163,859
hio	108,676,070	2,316	.95596	5.0	5,433,804	3.82844	1,039,182
klahoma	34,597,208	1,835	1.20654	6.0	2,075,832	1.46255	396,991
regon	26,554,148	2,233	.99149	5.0	1,327,707	.93545	253,916
ennsylvania	114,402,176	2,238	.98928	5.0	5,720,109	4.03015	1,093,934
uerto Rico	43,518,649	594	3.72727	9.0	3,916,678	2.75953	749,040
hode Island	5,698,622	2,194	1.00912	5.0	284,931	.20075	54,491
outh Carolina	55,980,928	1,379	1.60551	8.0	4,478,474	3.15535	856,480
outh Dakota	8,829,563	1,747	1.26732	6.3	556,262	.39192	106,382
ennessee	64,024,660	1,549	1.42931	7.1	4,545,751	3.20275	869,346
exas	114,695,306	1,944	1.13889	5.7	6,537,632	4.60615	1,250,282
tah	19,076,419	1,923	1.15133	5.8	1,106,432	.77955	211,599
ermont	4,443,387	1,859	1.19096	6.0	266,603	.18784	50,987
irginia	64,874,765	1,851	1.19611	6.0	3,892,486	2.74249	744,415
irgin Islands	1,062,619	767	2.88657	9.0	95,636	.06738	18,289
ashington	38,656,817	2,314	.95678	5.0	1,932,841	1.36180	369,644
est Virginia	29,182,002	1,664	1.33053	6.7	1,955,194	1.37755	373,919
isconsin	48,753,440	2,158	1.02595	5.1	2,486,425	1.75183	475,512
yoming	5,230,148	2,261	.97921	5.0	261,507	.18425	50,012
amoa, American	--	--	--	--	--	--	6,250
otal	2,415,269,937	(2,214)	--	--	141,932,764	100.00000	27,150,000

/ Apportionment of 25 percent of funds made available for supplying agricultural commodities and other foods in fiscal year beginning July 1, 1962 as required by Section 4 of the National School Lunch Act, as amended by PL 87-823, approved October 15, 1962. This Section requires that for fiscal 1963, 25 percent of funds available for cash assistance be apportioned under the formula contained in the revised Section and 75 percent be apportioned in the manner used prior to such fiscal year.

/ Number of lunches, consisting of a combination of foods and meeting the minimum requirements prescribed by the Secretary of Agriculture, served in the preceding fiscal year by schools participating in the program under this Act.

/ The average annual per capita income for any State and for all the States as determined on the basis of the average annual per capita income for each State and for all the States for the three most recent years (1959, 1960 and 1961) for which such data are available and certified to the Secretary of Agriculture by the Department of Commerce. The average annual per capita income for American Samoa shall be disregarded in determining the average annual per capita income for all the States for periods ending before July 1,1967.

/ Average United States per capita income ($2,214) divided by average State per capita income.

/ For any State having an average annual per capita income equal to or greater than the average annual per capita income for all the States, a need rate of 5 is assigned. In the case of any State having an average annual per capita income less than the average annual per capita income for all the States, the need rate assigned is the product of 5 and the quotient obtained by dividing the average annual per capita income for all the States by the annual average per capita income for such State, except that such product may not exceed 9 for any such State.

/ Participation rate multiplied by assistance need rate.

/ Funds apportioned multiplied by State quotients, except for American Samoa which is assigned an arbitrary amount in accordance with Section 4 of the Act, as amended.

DD-12/17/62
griculture-Washington

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Services

TABLE III

School Lunch and Special Milk Programs

Comparison of Federal and State Financing for the Fiscal Year 1962

State	Commodity Distribution		Federal Cash	Special	Total	State and	Total	Federal
	Section 6 a/	Donated b/ Commodities	Apportionment: N S L P	Milk c/	Federal Contribution	Local d/ Financing	Federal and State	Contributions as % of Total
Alabama	$ 1,823,723	$ 3,434,355	$ 2,792,376	$ 1,235,291	$ 9,285,745	$ 18,307,000	27,592,745	33.7
Alaska	39,091	112,139	92,150	27,807	271,187	751,000	1,022,187	26.5
Arizona	540,744	1,061,979	810,942	540,596	2,954,261	7,767,000	10,721,261	27.6
Arkansas	1,044,463	1,936,781	1,589,933	702,140	5,273,367	8,634,000	13,907,367	37.9
California	3,381,028	7,079,425	6,173,006	7,470,553	24,104,012	63,057,000	87,161,012	27.7
Colorado	708,126	1,373,676	877,098	808,602	3,767,502	9,521,000	13,288,502	28.4
Connecticut	621,740	1,131,017	930,522	1,241,477	3,924,756	11,628,000	15,552,756	25.2
Delaware	111,392	222,680	138,491	252,231	724,794	3,457,000	4,181,794	17.3
District of Columbia	55,702	188,405	216,489	390,246	850,842	2,199,000	3,049,842	27.9
Florida	2,457,907	4,301,124	2,684,261	1,201,382	10,644,674	31,916,000	42,560,674	25.0
Georgia	2,655,916	3,858,837	3,002,159	1,070,722	10,587,634	26,636,000	37,273,634	28.4
Guam	23,274	100,083	47,039	-	170,396	276,000	446,396	38.2
Hawaii	558,938	776,211	355,753	171,181	1,862,083	8,043,000	9,905,083	18.8
Idaho	334,440	500,099	467,188	214,205	1,515,932	3,336,000	4,851,932	31.2
Illinois	2,502,873	4,539,522	3,996,068	6,059,186	17,097,649	37,449,000	54,546,649	31.3
Indiana	1,737,443	2,471,807	2,414,105	2,016,089	8,639,444	22,341,000	30,980,444	27.9
Iowa	1,499,274	2,044,884	1,574,379	1,760,184	6,878,721	17,958,000	24,836,721	27.7
Kansas	904,428	1,744,775	1,166,943	995,186	4,811,332	10,121,000	14,932,332	32.2
Kentucky	2,003,214	2,480,737	2,353,772	1,584,537	8,422,260	17,240,000	25,662,260	32.8
Louisiana	3,033,870	4,129,654	2,512,788	568,957	10,245,269	27,621,000	37,866,269	27.1
Maine	368,578	727,533	581,937	402,507	2,080,555	4,064,000	6,144,555	33.9
Maryland	850,334	1,127,082	1,375,583	1,765,011	5,118,010	18,365,000	23,483,010	21.8
Massachusetts	1,516,161	2,647,573	2,089,625	2,972,707	9,226,066	28,205,000	37,431,066	24.6
Michigan	1,855,914	3,155,170	3,860,484	5,355,411	14,226,979	28,741,000	42,967,979	33.1
Minnesota	1,572,648	2,145,695	1,918,963	2,416,568	8,053,874	17,871,000	25,924,874	31.1
Mississippi	1,389,522	1,927,714	2,414,791	1,271,051	7,003,078	11,709,000	18,712,078	37.4
Missouri	1,869,673	2,997,476	2,058,716	2,495,540	9,421,405	23,230,000	32,651,405	28.9
Montana	243,203	365,197	407,598	169,752	1,185,750	2,605,000	3,790,750	31.3
Nebraska	474,141	838,490	737,672	547,096	2,597,399	6,639,000	9,236,399	28.0
Nevada	55,927	117,048	105,119	85,989	364,083	863,000	1,227,083	29.7
New Hampshire	196,428	310,582	314,084	286,396	1,107,490	2,659,000	3,766,490	29.4
New Jersey	822,483	1,628,716	2,265,454	2,477,837	7,194,490	20,796,000	27,990,490	25.7
New Mexico	430,129	964,901	700,328	759,040	2,854,398	4,629,000	7,483,398	38.1
New York	4,919,112	6,538,648	5,862,679	8,035,159	25,355,598	83,302,000	108,657,598	23.3
North Carolina	3,033,535	4,159,546	3,615,488	1,835,428	12,643,997	29,350,000	41,993,997	30.1
North Dakota	340,169	465,014	432,177	318,107	1,555,467	3,514,000	5,069,467	30.7
Ohio	2,885,115	4,368,113	4,572,957	5,175,835	17,002,020	46,518,000	63,520,020	26.8
Oklahoma	1,132,937	2,301,254	1,412,807	899,627	5,746,625	9,214,000	14,960,625	38.4
Oregon	863,367	1,244,495	897,331	507,640	3,512,833	8,796,000	12,308,833	28.5
Pennsylvania	3,207,155	5,128,956	5,206,671	4,022,800	17,565,582	51,675,000	69,240,582	25.4
Puerto Rico	979,784	2,380,241	3,690,208	-	7,050,233	7,187,000	14,237,233	49.5
Rhode Island	155,577	202,489	396,496	359,146	1,113,708	3,086,000	4,199,708	26.5
Samoa	-	38,457	-	-	38,457	-	38,457	100.0
South Carolina	1,520,438	2,749,112	2,281,104	644,421	7,195,075	15,780,000	22,975,075	31.3
South Dakota	239,273	455,176	428,094	395,962	1,518,505	2,396,000	3,914,505	38.8
Tennessee	1,993,992	4,687,734	2,698,614	1,915,494	11,295,834	18,494,000	29,789,834	37.9
Texas	3,330,049	5,686,689	5,847,006	3,163,192	18,026,936	37,277,000	55,303,936	32.6
Trust Territories	-	100,286	-	-	100,286	-	100,286	100.0
Utah	547,718	1,063,893	601,435	266,238	2,479,284	5,844,000	8,323,284	29.8
Vermont	136,028	221,659	238,577	172,094	768,358	1,363,000	2,136,358	36.0
Virginia	1,833,601	3,372,006	2,471,456	1,595,488	9,272,551	25,048,000	34,320,551	27.0
Virgin Islands	37,468	49,265	37,717	-	124,450	281,000	405,450	30.7
Washington	1,023,239	1,833,932	1,399,101	1,388,788	5,645,060	14,596,000	20,241,060	27.9
West Virginia	901,848	1,436,415	1,372,142	473,925	4,189,330	7,843,000	12,032,330	34.8
Wisconsin	1,252,208	1,870,006	2,073,192	3,245,721	8,441,127	15,824,000	24,265,127	34.8
Wyoming	160,490	231,937	176,375	146,599	715,401	1,686,000	2,401,401	29.8
Total	63,175,830	113,026,690	98,737,493	83,882,141	363,822,154	887,813,000	1,251,635,154	29.1

a/ Commodities procured under the School Lunch appropriation and under funds transferred to this appropriation from the fund authorized under section 32 of the Act of August 24, 1935, as amended, are distributed pursuant to sec. 6 of the National School Lunch Act.

b/ Commodities acquired under price support programs by the Commodity Credit Corporation and donated to schools pursuant to sec. 416 of the Agricultural Act of 1949, as amended, and commodities acquired and donated under authority of section 32 of the Act of August 24, 1935, as amended.

c/ Cash payments are made to reimburse schools for increased consumption of fluid milk by children, pursuant to Public Law 87-67, 87th Congress, June 30, 1961.

d/ Contributions from the several sources within the States--State and local government contributions, other local contributions, and payments by children.

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Washington 25, D. C.

SL-2-62

Preliminary

NATIONAL SCHOOL LUNCH PROGRAM

NUMBER OF CHILDREN AND SCHOOLS PARTICIPATING

Fiscal Year 1962 1/

STATE	CHILDREN IN ELEMENTARY AND SECONDARY SCHOOLS			ELEMENTARY AND SECONDARY SCHOOLS
	Total Enrollment 2/ (1)	Number Participating (2)	Percent Participation (3)	Number Participating (4)
NORTHEAST				
Connecticut	592,321	136,339	23.0	619
Delaware	104,247	30,000	28.8	140
District of Columbia 3/	150,268	15,644	10.4	46
Maine	240,986	75,452	31.3	621
Maryland	749,824	201,303	26.8	862
Massachusetts	1,141,327	335,991	29.4	1,232
New Hampshire	141,742	43,364	30.6	314
New Jersey	1,371,312	193,356	14.1	964
New York	3,657,610	972,889	26.6	3,722
Pennsylvania	2,543,174	668,255	26.3	2,829
Rhode Island	183,051	33,716	18.4	178
Vermont	92,937	34,085	36.7	330
West Virginia	451,520	179,196	39.7	1,471
Area	11,420,319	2,919,590	25.6	13,328
SOUTHEAST				
Alabama	815,378	363,582	44.6	1,411
Florida	1,081,209	512,004	47.4	1,423
Georgia	975,668	503,460	51.6	1,781
Kentucky	699,732	379,672	54.3	1,501
Mississippi	570,981	280,560	49.1	987
North Carolina	1,137,934	593,261	52.1	1,817
Puerto Rico	629,514	238,765	37.9	2,018
South Carolina	610,958	332,526	54.4	1,172
Tennessee	874,256	385,442	44.1	1,831
Virginia	921,022	374,743	40.7	1,508
Virgin Islands	9,669	6,464	66.9	31
Area	8,326,321	3,970,479	47.7	15,480
MIDWEST				
Illinois	2,289,294	476,076	20.8	1,498
Indiana	1,129,940	409,311	36.2	1,665
Iowa	671,405	310,569	46.3	1,600
Michigan	2,008,435	409,644	20.4	2,050
Minnesota	851,272	372,243	43.7	1,570
Missouri	969,723	389,108	40.1	2,465
Nebraska	336,837	117,818	35.0	632
North Dakota	156,190	77,083	49.4	636
Ohio	2,343,404	653,207	27.9	2,521
South Dakota	168,077	53,677	31.9	330
Wisconsin	962,249	296,644	30.8	2,343
Area	11,886,826	3,565,380	30.0	17,310
SOUTHWEST				
Arkansas	441,652	211,534	47.9	983
Colorado	451,282	160,304	35.5	905
Kansas	519,787	177,775	34.2	1,170
Louisiana	848,205	593,401	70.0	1,639
New Mexico	252,382	87,644	34.7	471
Oklahoma	567,020	208,828	36.8	1,621
Texas	2,346,411	685,012	29.2	3,236
Area	5,426,739	2,124,498	39.1	10,025
WESTERN				
Alaska	48,759	9,345	19.2	53
Arizona	369,885	121,125	32.7	452
California	3,862,045	698,885	18.1	3,586
Guam 3/	16,378	2,250	13.7	15
Hawaii	175,073	116,310	66.4	215
Idaho	170,797	69,360	40.6	502
Montana	167,574	51,545	30.8	487
Nevada	73,119	12,473	17.1	92
Oregon	425,341	152,153	35.8	901
Utah	251,892	113,275	45.0	464
Washington	709,065	226,279	31.9	1,320
Wyoming	85,602	31,121	36.4	217
Area	6,355,530	1,604,121	25.2	8,304
Grand Total	43,415,735	14,184,068	32.7	64,447

1/ Data are for December 1961 and represent the average number of children participating in the program for that month. The number of schools and children may have been higher in some States during other months but December was the peak month of participation nationally.

2/ Source: Latest data available from U. S. Office of Education. Enrollment data for public schools are for Fall 1961. Private school enrollment is for 1957-58.

3/ Data for the District of Columbia and Guam do not include participation in the Type C, or milk only, lunch authorized under the National School Lunch Program. Reimbursement for this type has been discontinued in the other States.

FDD
8/1/62

Commodities Distributed to the School Lunch Programs during Fiscal Years 1961 and 1962:

Program and Commodity	Fiscal Year 1961		Fiscal Year 1962	
	Pounds	Dollars	Pounds	Dollars
Direct Purchases:				
Section 6: (Includes Sec. 32 Transfer):				
Apples & Applesauce	16,930,221	$ 1,694,673	47,397,888	$ 4,860,975
Apricots	13,319,865	1,958,020	15,486,793	2,093,814
Beans	11,398,394	1,185,433	18,009,139	1,843,925
Beef products	78,981,937	35,132,208	40,510,440	17,665,285
Beets	--	--	422,213	31,075
Cherries	7,167,824	1,082,341	11,873,268	1,853,417
Chickens	7,032,899	2,569,118	37,680,078	11,409,528
Citrus juice	--	--	28,348	2,526
Corn	6,397,739	697,354	13,090,931	1,381,093
Eggs	1,292,231	1,523,153	76,581	90,266
Grapefruit sections	14,545,614	2,167,297	16,999,934	2,385,091
Lamb	42,041	24,657	--	--
Meat products	--	--	2,695,607	1,057,804
Peaches	28,055,789	3,246,055	30,947,041	3,531,057
Peas	46,731	3,977	6,534,442	690,037
Plums	43,843	4,112	175,158	24,434
Pork products	1,173,550	578,557	26,373,261	14,163,509
Pumpkin	--	--	3,271,560	233,917
Raisins	--	--	10,883,863	1,229,877
Sauerkraut	--	--	10,867,001	779,164
Spinach	--	--	5,319,041	422,864
Sweet potatoes	--	--	219,000	28,777
Tomato products	19,854,343	2,079,389	22,345,783	2,397,395
Turkeys	18,894,041	7,134,390	--	--
Total, Section 6	225,177,062	61,080,734	321,207,370	68,175,830
Donated Commodities:				
Section 32:				
Beans, dried	5,649,458	466,438	9,807,163	810,190
Butter	74,649,234	47,014,088	--	--
Cabbage	1,470,600	33,088	--	--
Cheese	11,227,920	4,167,804	--	--
Cranberries	--	--	8,824,763	1,334,304
Dates	1,748,585	394,656	917	207
Eggs, dried	2,664,861	3,090,439	2,354,992	2,486,165
Honey	652,590	97,105	48,380	7,199
Lamb	538,503	208,670	2,305,901	893,537
Lard	6,819,425	1,040,644	27,167,618	3,577,975
Olive Oil	13,090	4,725	2,503	904
Olives	2,081,056	853,649	39,497	16,202
Turkeys	--	--	59,672,134	17,591,345
Peanut butter	6,211,513	1,246,651	10,069,501	2,046,123
Potatoes, Irish	--	--	15,315,950	321,635
Total, Section 32	113,726,835	58,617,957	135,609,319	29,085,786
Section 416:				
Beans	3,230,531	274,153	9,272,921	681,873
Butter	--	--	83,762,214	51,681,286
Cheese	--	--	44,068,538	16,992,828
Cornmeal	15,657,000	543,298	16,425,410	555,179
Flour	105,593,343	5,564,769	120,826,734	6,500,478
Milk	24,620,475	4,343,052	26,878,968	4,994,112
Rice	21,903,967	2,280,203	22,192,172	2,223,655
Wheat, rolled	--	--	3,803,331	311,493
Total, Section 416:	171,005,316	13,005,475	327,230,288	83,940,904
TOTAL	509,909,213	132,704,166	784,046,977	181,202,520

(f) Removal of Surplus Agricultural Commodities
(Section 32)

Appropriation, 1963		$318,068,537
Transferred to:		
Department of Interior to "Promote and develop fishery products and research pertaining to American fisheries, Fish and Wildlife Service", 84th Congress		-5,071,342
School Lunch Program		-45,000,000
Salaries and expenses, Foreign Agricultural Service		-3,117,000
Base for 1964		264,880,195
Budget Estimate, 1964:		
Annual permanent appropriation	$361,500,000	
Less transfers to:		
Department of Interior	-5,200,000	
School Lunch Program	-45,000,000	
Salaries and expenses, Foreign Agricultural Service	-3,117,000	a/ 308,183,000
Increase (in annual permanent appropriation for Section 32 purposes)		+43,302,805

a/ In addition, an unobligated balance of $300,000,000 carried forward from 1963 will be available. Of the total of $608,183,000 available, the 1964 estimates forecast obligations of $200,000,000. This would result in an unobligated balance of $408,183,000 of which $300,000,000 would carry forward into fiscal year 1965.

SUMMARY OF INCREASES AND DECREASES, 1964
(On the basis of available funds)

Increase in commodity program payments	+509,000
Decrease to reflect shift to a direct appropriation in financing of the food stamp program after enactment of proposed legislation	-24,998,150
Decrease in administration of marketing agreements and orders	-754,300
Decrease to reflect estimated savings due to the installation of a centralized data processing operation (MODE) per personnel and payroll data	-12,950
For postal costs pursuant to Public Law 87-793	+2,400
For pay costs pursuant to Public Law 87-793	+254,000
Net decrease	-25,000,000

PROJECT STATEMENT
(On basis of available funds)

Project	1962	1963 (estimated)	Increase or Decrease: Increased Pay and Postal Cost (P.L. 87-793)	Increase or Decrease: Other	1964 (estimated)
1. Commodity program payments:					
a. Direct purchases	$131,228,572)				
b. Diversion payments	10,979,988)	$163,984,000	- -	+$509,000	$164,493,000
c. Export payments	1,532,468)				
2. Food Stamp Program	14,299,703	51,500,000	- -	-25,000,000	26,500,000
3. Operating expenses	3,288,095	4,005,000	+$256,400	-8,400	4,253,000
4. Marketing Agreements and Orders	2,664,956	5,511,000	- -	-757,000	4,754,000
Subtotal a/	163,993,782	225,000,000	+256,400	-25,256,400(1)	200,000,000
Unobligated balance no longer available	109,698,614	39,880,195	- -	+68,302,805	108,183,000
Unobligated balance carried forward	300,000,000	300,000,000	- -	- -	300,000,000
Total increased costs (P.L. 87-793):					
Pay costs	(- -)	(366,500)	(+325,000)	(-103,500)	(588,000)
Postal costs	(- -)	(4,185)	(+4,235)	(- -)	(8,420)
Total available or estimate	573,692,396	b/564,880,195	+256,400(2)	+43,046,405	608,183,000
Recovery of prior year obligations	-1,024,788	- -	- -	- -	- -
Unobligated balance brought forward	-300,000,000	-300,000,000	- -	- -	-300,000,000
Subtotal	272,667,608	264,880,195	+256,400	+43,046,405	308,183,000
Transferred to:					
Department of the Interior pursuant to P.L. 1024, 84th Congress	4,757,143	5,071,342	- -	+128,658	5,200,000
School Lunch Program	45,000,000	45,000,000	- -	- -	45,000,000
Salaries and expenses, Foreign Agricultural Service	3,117,000	3,117,000	- -	- -	3,117,000
"Marketing research and service"	285,000	- -	- -	- -	- -
Total appropriation or estimate	325,826,751	318,068,537	+256,400	+43,175,063	361,500,000

a/ Represents obligations. Applied costs for 1962 are $200,801,438. The difference of $36,807,656 reflects, primarily, the excess of commodities delivered and used over those purchased in that year.

b/ Includes $26,400 estimated to be transferred to "Salaries and expenses, General Administration," during fiscal year 1963 for the Office of the Inspector General.

Fund Availability and Balances

Section 32 funds are used to encourage exportation and domestic consumption of agricultural products and to stabilize market prices either through announcements that the Department stands ready to enter the market, or by actual participation in the market. The extent to which funds actually will be obligated and expended will depend upon the effectiveness of an announcement on market prices. The type of program to be developed will depend upon the kind and volume of the surpluses which exist at the time and the potential outlets. Generally, surpluses are removed from the market through purchases, which are then donated to schools, institutions and needy persons.

The following table summarizes the estimated total funds available for Section 32 activities and the estimated balance carried forward for fiscal years 1962, 1963, and 1964.

Item	1962	1963 Estimate	1964 Estimate
Balance from prior year	$300,000,000	$300,000,000	$300,000,000
Recovery of prior year obligations	1,024,788	- -	- -
Appropriation or estimate	325,826,751	318,068,537	361,500,000
Transfer to:			
Interior Department	-4,757,143	-5,071,342	-5,200,000
School Lunch Program	-45,000,000	-45,000,000	-45,000,000
Salaries and Expenses, Foreign Agricultural Service	-3,117,000	-3,117,000	-3,117,000
Marketing Research and Service	-285,000	- -	- -
Total available	573,692,396	564,880,195	608,183,000
Obligations	-163,993,782	-225,000,000	-200,000,000
Unobligated balance no longer available (revert to U.S. Treasury)	-109,698,614	-39,880,195	-108,183,000
Unobligated balance carried forward to subsequent years	300,000,000	300,000,000	300,000,000

INCREASES AND DECREASES

(1) A net decrease of $25,256,400 consisting of:

(a) An increase of $509,000 in commodity program payments. A total program level of $200,000,000 is projected in 1964 for all activities financed from Section 32 funds--$25,000,000 less than the estimate for 1963. Decreases in all other projects totaling $25,765,400 are offset in part by the increase reflected under commodity program payments.

Total requirements for surplus removal programs are expected to continue at about the level estimated in 1963. Actual program operations, of course, will depend on economic conditions and the need for removing price-depressing surpluses from the market.

(b) A decrease of $24,998,150 in Food Stamp Program Payments. By June 1963, pilot food stamp projects are expected to be in operation in 47 economically depressed areas. These experimental projects are being financed under Section 32 funds. Evaluation studies indicate that this type of program is effective in helping needy families improve their diets and in expanding outlets for our agricultural abundance.

Legislation is being proposed to provide specific enabling authority for a food stamp program on a continuing basis. It is expected that such legislation will be enacted during the current session of the Congress and provide for this program to be financed by a direct appropriation. Since such legislation may not be enacted in sufficient time to permit the Congress to provide an appropriation pursuant thereto prior to July 1, 1963, it is contemplated that this program will continue to be financed from Section 32 funds pending the approval of a separate appropriation.

(c) A decrease of $754,300 in the Marketing Agreement and Order activity due to some reduction in the activity relating to advisory committees, referenda, hearings, and other costs related to the formulation and development of new marketing and agreement programs authorized under the Agricultural Act of 1961.

(d) A reduction of $12,950 to reflect estimated savings due to the installation of a centralized data processing operation (MODE) for payroll and personnel data. An explanation of this reduction is included in the Preface to these Explanatory Notes in Volume 1. This reduction is distributed between activities as follows:

Food Stamp Program	$1,850
Operating expenses	8,400
Marketing Agreements and Orders	2,700
Total	12,950

(2) An increase in obligations of $256,400 for pay and postal costs pursuant to P.L. 87-793. (An overall explanation of increases for pay and postal costs is contained in the Preface to these Explanatory Notes in Volume 1.)

STATUS OF PROGRAM

Current Activities

Under Section 32 of the Act of August 24, 1935, as amended (7 USC 612c), an amount equal to 30% of customs receipts during each preceding calendar year and unused balances up to $300 million are available for encouraging the exportation and domestic consumption of agricultural commodities. Current activities for removing from the market surplus agricultural commodities include:

A. Purchases for distribution through State distributing agencies to school lunch programs, and to needy persons and institutions eligible to receive such purchases.

B. Expansion of outlets for agricultural commodities by helping needy families improve their diets through pilot food stamp projects.

C. Encouragement of exports through payments which will permit the sale of surplus commodities in foreign markets.

D. Encouragement of domestic consumption by diversion from normal channels of trade to by-products and new uses.

E. Reestablishment of farmers' purchasing power through payments in connection with normal production.

The basic authority also provides that these funds shall be devoted principally to perishable nonbasic agricultural commodities and their products, other than those receiving price support under Title II of the Agricultural Act of 1949, as amended. These Title II commodities are: tung nuts, honey, milk, butterfat, and the products of milk and butterfat. It has been determined that this provision is legally satisfied by setting aside or reserving the principal portion of Section 32 funds for the use of perishable nonbasic agricultural commodities when the occasion arises warranting their use for such purpose. Not to exceed 25% of funds available under the Act may be used for any one commodity or product thereof.

Section 32 funds are also used for:

A. Surplus removal operating expenses which include administrative costs for direct removal of surpluses from the market, and distribution by the Agricultural Marketing Service of Section 32 and CCC commodities to eligible outlets. These funds are also used to encourage food perservation and marketing of abundant foods through the food trades.

B. The administration of marketing agreements and orders which aim to establish and maintain orderly marketing conditions for certain commodities and their products.

Selected Examples of Recent Progress and Trends:

A. Commodity Program Payments (See Table I for program operations during the last two years)

1. Direct Purchases - During the fiscal year 1962, approximately 525.9 million pounds of agricultural commodities at a cost of approximately $131.2 million were purchased for distribution through authorized agencies. Distribution was made by 83 agencies to an estimated 77,700 outlets.

	1961	1962
(1) School children	15,634,627	16,042,408
(2) Persons in eligible institutions	1,444,547	1,353,710
(3) Individual needy recipients (peak month)	6,384,014	7,442,536

Purchases of foods donated to needy persons comprised a major portion of the acquisitions made in 1962. The retail value of food available was about $6 per person per month.

2. Diversion Payment Programs - To ease potato marketing difficulties 2.9 billion pounds of potatoes were diverted to starch, flour and livestock feed in the 14 primary producing states. Due to unforseen acreage reductions hybrid corn and sorghum seed producers received payment to divert their seed to other than planting purposes, such as crushing, grinding, cracking or commingling with nonseed commercial stocks. The development of a cotton bagging produced from low quality cotton for cotton bales was encouraged by benefit payments to users of this bale covering.

3. Export Payment Program - To broaden tobacco outlets overseas and to relieve downward pressure on domestic prices, payments were made to dealers selling 1956 and preceding year crop tobacco to their foreign customers.

B. Food Stamp Payment Program - During fiscal year 1962 food stamp pilot projects were in operation in eight areas of chronic unemployment to test the effectiveness of this approach in improving the diets of low-income families and increasing use of farm commodities. A participating family's normal food expenditure is maintained by requiring that, based on family size and income, recipients will purchase a specific value of coupons. The supplemental or bonus coupons provided free of charge, again based on family size and income, permit the family to upgrade the diet. Participants, averaging about 142,800 a month, were issued over $35 million in food coupons. The Federal contribution amounted to a little over $13 million - 37% of the total. On a per person basis, participants paid $12.76 a month and received a total of $20.43 in coupons.

The following table shows program operations by pilot area for fiscal year 1962.

Pilot Area	Participants in peak month of April	Value of Coupons Issued		
		Total	Paid for by Participants	Paid with Sec. 32 funds
Franklin Co., Ill.	4,967	1,208,999	768,591	440,408
Floyd Co., Kentucky	9,217	1,066,739	269,883	796,856
Detroit, Michigan	86,348	22,644,480	14,948,643	7,695,837
Virginia-Hibbing, Minn.	7,555	1,358,198	872,060	486,138
Silver Bow Co, Mont.	2,107	448,214	308,148	140,066
San Miguel Co., N. Mex.	4,210	733,374	363,505	369,869
Fayette Co., Penna.	22,571	5,133,531	3,125,551	2,007,980
McDowell Co., W. Va.	14,051	2,608,731	1,393,190	1,215,541
Total	151,026	35,202,266	22,049,571	13,152,695

Excellent cooperation has been received from State and local welfare authorities, wholesalers and retailers, banks, and the Treasury Department in the operation of this program. A state or local welfare agency determines, based on income, food needs and other factors, the allotment of coupons for each household unit and the cash to be paid. Coupons are issued by a non-Federal issuing office. Cash received is deposited daily in a designated Federal depository. Food stores receive cash or credit for the coupons from any commercial bank which must accept them at face value. These coupons then flow through regular banking channels to the Federal Reserve banks where they are redeemed and subsequently destroyed.

Evaluation studies were carried on prior to and after installation of the program to determine the effectiveness in encouraging domestic consumption of agricultural food commodities. The special household food consumption studies indicated that each Federal dollar increased participant's retail food purchases by 95¢ in Detroit and by 85¢ in rural Fayette County. In both areas participating families showed increases in the money value of all foods consumed after their entrance into the program. Most of the increased value of food consumed was for meat and other animal products and fruits and vegetables. Almost 50% of the participating families in Detroit and 39% in Fayette County had good diets in September and October of 1961 compared with slightly more than 25% of the low-income, non-participating families in both areas in those months.

Participants in the pilot programs spent substantially more money for food in retail stores. The dollar volume of retail food store sales in the eight areas increased 8%, on a seasonally adjusted basis, after inauguration of the pilot program. The survey also showed that the smaller size retail stores were able to attract a reasonable proportion of the food coupon business.

The program is being continued on a pilot basis with some expansion in 1963. It has been offered to an additional 39 areas. As of November 26, 1962 Mendocino Co., Calif. was the only area which had declined. An estimated 398,000 needy persons are expected to be eligible to participate if all of the other areas accept the offer. Pilot programs expected to be carried on in 1963 are as follows:

PILOT PROGRAM AREAS

State	In Operation in F.Y. 1962	Expansion Planned by 1/1/63	Expansion Expected Between 3/1 and 6/30/63
Alabama	-	Jefferson County	Walker County
Arkansas	-	Independence County	-
California	-	-	Humboldt County
Illinois	Franklin County	-	-
Indiana	-	Vanderburgh County	-
Kansas	-	-	Rice County
Kentucky	Floyd County	Knott County	Perry County
Louisiana	-	Evageline Parish	Avoyelles Parish
Michigan	City of Detroit	-	-
Minnesota	Virginia-Hibbing	Itasca and St. Louis	Carlton County
Missouri	-	City of St. Louis	-
Montana	Silver Bow County	-	-
New Mexico	San Miguel County	-	Santa Fe County Mora County
North Carolina	-	Nash County	-
Ohio	-	Lucas County	Cuyahoga County
Oklahoma	-	Choctaw County	Pushmataha County
Oregon	-	Multnomah County	-
Pennsylvania	Fayette County	Luzerne County	City of Pittsburgh Cambria County
Tennessee	-	Hamilton, Marion, Grundy and Sequatchie	-
Virginia	-	Dickenson, Lee and Wise Counties	-
Washington	-	Gray's Harbor, and Pacific Counties	Yakima County
West Virginia	McDowell County	Mingo, Logan, and Wayne Counties	-
Wisconsin	-	Douglas County	Iron County

The following table shows the use made of Section 32 funds for program operations during the past two years:

	Fiscal Year 1961		Fiscal Year 1962	
Direct Purchases	Pounds	Dollars	Pounds	Dollars
Beans	22,769,292	1,866,685	74,008,742	6,113,814
Cabbage	2,412,550	54,496	--	--
Cranberries	--	--	9,991,100	1,510,876
Cornmeal	--	--	--	918
Dairy products				
Butter	184,742,117	115,980,917	--	1/ 930,156
Cheese	99,397	163,115	--	832
Milk	--	1/ 270,166	--	2,634
Dates	--	1/ 33,403	--	--
Eggs, dried	31,270,619	37,375,514	13,502,050	13,457,332
Flour	--	--	--	2,258
Livestock Products				
Chopped meat	40,356,581	17,789,292	162,780,965	65,840,557
Lamb	12,365,339	4,783,046	--	--
Lard	99,654,244	16,589,338	119,372,877	16,191,844
Pork	68,036,306	38,994,658	--	--
Olives	2,079,675	853,082	--	--
Peaches	--	--	221,920	14,794
Peanut Butter	63,287,000	12,573,345	38,990,000	8,162,167
Potatoes	--	--	41,656,400	873,254
Poultry	--	1/ 224,693	--	--
Rice	--	--	--	1,078
Rolled Oats	42,022,029	3,057,734	5,210,070	379,176
Turkeys	--	--	60,202,831	17,746,700
Wheat, rolled	--	--	--	182
GAO settlements	--	-12,997	--	--
Total	569,095,149	250,596,487	525,936,955	131,228,572 3/
Diversion				
Cotton	--	--	288,000	24,000
Hybrid Seed	--	--	44,099,328	1,254,807
Potatoes	333,452,300	1,236,817	2,922,206,000	9,701,181
Exportation				
Tobacco	--	--	12,366,200	1,532,468
Production Payments				
Cranberries	18,991,300	1,361,004	--	--
Food Stamp Payment Plan	XX	2/ 657,865	XX	2/13,362,113
Total Obligations	921,538,749	253,852,173	3,504,896,483	157,103,141

1/ Liquidation and disposition of prior year programs.

2/ Includes $279,288 and $209,418 in fiscal year 1961 and 1962 respectively for the cost of printing stamps and such contractual costs as necessary to issue and redeem the stamps.

3/ Includes distribution costs of $16,131 for 12 commodities for needy families.

C. Surplus Removal Operating Expenses

1. Planning surplus removal programs and distributing commodities

In addition to planning surplus removal programs under section 32, Agricultural Marketing Service distributes surplus food commodities (section 32 and section 416-CCC) to eligible domestic outlets and, in cooperation with AID, distributes CCC (Section 416) surplus food commodities to eligible foreign agencies. Over 4.7 billion pounds of surplus foods were donated by the U.S. Department of Agriculture during fiscal year 1962, for use in school lunch programs and by charitable institutions in this country and by needy persons both here and abroad.

a. Domestic Donations - Commodities are shipped at the request of State agencies, with the Federal Government paying all costs to central State receiving points. These costs may include processing and packaging as well as transportation. The State agencies accept the commodities at their central receiving points and are responsible for distribution to the final users. State agencies approve eligible recipients according to USDA standards. For example, to participate in the program, school lunch programs must be operated on a nonprofit basis, institutions and hospitals must be nonprofit and exempt from Federal income tax, and persons in family units receiving commodities must be certified as needy by a public welfare agency. State agencies are responsible for overall supervision of the program to insure that the commodities are effectively used and that waste or resale is avoided.

Over 2.0 billion pounds of surplus commodities were distributed to domestic outlets and benefited some 16.0 million school children taking part in the school lunch program; nearly 1.4 million persons in charitable institutions and 7.4 million needy persons in this country. The tremendous impetus given the distribution to needy persons in 1961 carried full force into 1962 with an average of 6.6 million receiving donated foods as compared with 4.4 million in 1961. Approximately 60% more food was donated through an expanded distribution system. The addition of 129 counties and cities in fiscal 1962 makes the program now available in over half of the political subdivisions of the Nation. This expansion has created various administrative problems at the Federal, State, and local levels. The recommendations of a Department Task Force are being instituted to provide strong Federal leadership to encourage cooperating agencies to provide better direction, better supervision and strengthen controls over handling and use of donated foods.

Surplus foods were also supplied to over 510,000 in 16 States and Puerto Rico who were victims of floods, snow and ice storms, tornado and hurricane winds, tidal waves and fire.

b. Foreign Donations - CCC commodities (section 416) are processed and packaged as necessary and shipped to U.S. voluntary agencies who accept title to the commodities at a U.S. port for delivery to needy persons in foreign countries. In most cases, agencies are reimbursed for ocean freight charges. The voluntary agencies are responsible for overall supervision of the program to insure that the commodities will not be sold or exchanged and will be distributed to needy persons without regard to race, creed, or color.

Section 416 surplus foods are donated for overseas relief only after sufficient stocks have been made available to meet the needs of eligible recipients in this country. Donations for foreign distribution to 111 foreign countries increased 15% to a total of 2,704.1 million pounds in fiscal year 1962.

The administrative costs in AMS in connection with the foreign donation program are financed from Section 32 funds. The quantity and cost of commodities donated to domestic and foreign outlets in fiscal years 1961 and 1962 are shown in the following Tables II and III.

2. Food Trades Program. Under this program the consumption of plentiful foods is encouraged by focusing consumer attention on agricultural commodities in abundant supply so as to expand domestic consumption by increasing their utilization by low-income groups. This is done by enlisting the cooperation of food distributors in obtaining merchandising emphasis on foods available in plentiful supply and by supporting industry food promotion and merchandising campaigns. The workload under this activity is shown in the following table:

	F. Y. 1962 Number	F. Y. 1963 Number (Est.)
Average number of foods listed on monthly abundant foods list	8	10
Distribution of monthly plentiful foods list ...	57,000	60,000
National food drives conducted	7	10
Area, State and local food drives conducted	30	30

Special food drives were conducted during 1962 on apples, potatoes, eggs, cranberries, turkeys, and dairy products. The August Sandwich Month, to stimulate consumption of grain supplies, was fully supported. A special food guide is distributed each month to retailers and wholesalers who are approved to accept food stamp coupons. This guide gives information not only on plentiful foods but also on foods especially suitable for use in economy budgets. Major food drives are planned in 1963 on cranberries, peaches, dairy products, potatoes, turkeys, apples, cheese, broiler-fryers, tart cherries, frozen orange juice and wheat flour during August Sandwich Month.

D. Marketing Agreements and Orders

These programs continue to grow in number, in area and volume of commodities covered, and in number of producers affected as reflected in the following tables:

1. Activities under the Milk, Fruit, Vegetable, and Tree Nut Agreement and Order Programs During Fiscal Year 1962 and Estimated for 1963:

Activity	Fluid Milk Orders		Fruit, Vegetable, and Tree Nut Order	
	1962	1963	1962	1963
Agreement and order programs in effect	83	85	44	47
Hearings held to consider amendments to existing orders or the issuance of orders in new areas	46	50	15	12
Requests received for new programs	7	2	5	3
Amendments issued to existing orders	71	65	6	12
Recodification of agreements and orders	81	--	21	1
Suspensions issued to existing orders	42	40	--	--
Petitions received for review of various order provisions	13	30	6	6
Petitions disposed of during the year	7	20	1	7
Court cases started during the year	23	50	--	--
Court cases disposed of during the year	18	35	27	30
Hearings held under Administrative Procedures Act	--	--	16	13
Applications reviewed from dairy cooperatives for qualifications to participate under the Act	64	50	--	--
Regulatory orders issued under provisions of marketing order	3	5	376	384
Appointment of administrative or control committees	--	--	47	48
Promulgation of committee rule making	--	--	28	30
Budgets approved	85	85	43	43
Investigation of alleged violations	65	80	250	282
Cases referred to Dept. of Justice for prosecution	50	75	21	25
Administrator's Decisions issued	49	50	15	15
Secretary's Decisions issued	58	50	13	17
Secretary's Referendum Orders issued	33	35	12	16

Cost in Millions of Dollars of Surplus Food Distribution for Domestic and Foreign Use Fiscal Years 1961 and 1962

Program and Commodity	Domestic Distribution								Foreign Distribution		Total Distribution	
	Schools		Institutions		Welfare		Total					
	1961	1962	1961	1962	1961	1962	1961	1962	1961	1962	1961	1962
Section 32:												
Beans	.5	.8	.1	.2	2.8	5.3	3.4	6.3	--	--	3.4	6.3
Butter	47.0	--	13.6	--	14.2	--	74.8	--	--	--	74.8	--
Cheese	4.2	--	--	--	--	--	4.2	--	--	--	4.2	--
Cranberries	--	1.3	--	.2	--	--	--	1.5	--	--	--	1.5
Date pieces	.4	1/	--	--	--	--	.4	1/	--	--	.4	1/
Eggs, dried	3.1	2.5	1.3	.5	23.7	10.8	28.1	13.8	--	--	28.1	13.8
Honey	.1	1/	--	--	--	--	.1	1/	--	--	.1	1/
Lamb	.2	.9	2.9	.7	--	--	3.1	1.6	--	--	3.1	1.6
Lard	1.0	3.6	1.3	1.1	9.5	10.7	11.8	15.4	--	--	11.8	15.4
Chopped meat	--	--	--	--	2.2	53.7	2.2	53.7	--	--	2.2	53.7
Rolled Oats	--	--	--	--	1.3	2.0	1.3	2.0	--	--	1.3	2.0
Olives	.8	1/	--	--	--	--	.8	1/	--	--	.8	1/
Peanut butter	1.3	2.0	--	--	2.3	8.0	3.6	10.0	--	--	3.6	10.0
Pork & Gravy	--	--	--	--	33.4	6.0	33.4	6.0	--	--	33.4	6.0
Potatoes	--	.4	--	.5	--	--	--	.9	--	--	--	.9
Poultry, canned	--	--	6.8	1/	--	--	6.8	1/	--	--	6.8	1/
Turkeys	--	17.6	--	--	--	--	--	17.6	--	--	--	17.6
Vegetables	1/	--	1/	--	--	--	1/	--	--	--	1/	--
Total, Section 32	58.6	29.1	26.0	3.2	89.4	96.5	174.0	128.8	--	--	174.0	128.8
Section 416:												
Beans	.2	.7	1/	.2	1.7	4.4	1.9	5.3	--	2.0	1.9	7.3
Bulgur	--	--	--	--	--	--	--	--	--	3.4	--	3.4
Butter	--	51.7	--	11.2	--	36.7	--	99.6	--	--	--	99.6
Cheese	--	17.0	--	3.2	--	19.1	--	39.3	--	--	--	39.3
Cornmeal	.6	.5	.3	.3	4.8	6.0	5.7	6.8	20.9	13.6	26.6	20.4
Corn	--	--	--	--	--	--	--	--	1.5	1.3	1.5	1.3
Cottonseed & Soybean Oil	--	--	--	--	--	--	--	--	1.4	16.1	1.4	16.1
Flour	5.6	6.5	4.1	4.2	13.3	18.7	23.0	29.4	74.1	71.5	97.1	100.9
Milk	4.3	5.0	2.7	2.5	21.8	31.3	28.8	38.8	80.0	89.5	108.8	128.3
Peanut oil	--	--	--	--	--	--	--	--	--	1.8	--	1.8
Rice	2.3	2.2	.9	.8	9.0	11.2	12.2	14.2	19.6	--	31.8	14.2
Shortening	--	--	--	--	--	--	--	--	4.3	23.6	4.3	23.6
Wheat	--	--	--	--	--	--	--	--	--	1.8	--	1.8
Wheat, rolled	--	.3	--	.3	--	3.0	--	3.6	6.4	--	6.4	3.6
Total, Section 416	13.0	83.9	8.0	22.7	50.6	130.4	71.6	237.0	208.2	224.6	279.8	461.6
Grand Total	71.6	113.0	34.0	25.9	140.0	226.9	245.6	365.8	208.2	224.6	453.8	590.4

It is estimated that commodities approximating $683.6 million may be donated in 1963.

1/ Less than $50,000.

Table III

Quantity in Million of Pounds of Surplus Food Distribution for Domestic and Foreign Use Fiscal Years 1961 and 1962

Program and Commodity	Domestic Distribution								Foreign Distribution		Total Distribution	
	Schools		Institution		Welfare		Total					
	1961	1962	1961	1962	1961	1962	1961	1962	1961	1962	1961	1962
Section 32:												
Beans	5.7	9.8	.5	3.0	34.0	64.0	40.2	76.8	--	--	40.2	76.8
Butter	74.7	--	21.5	--	22.5	--	118.7	--	--	--	118.7	--
Cheese	11.2	--	--	--	--	--	11.2	--	--	--	11.2	--
Cranberries	--	8.8	--	1.5	--	--	--	10.3	--	--	--	10.3
Date pieces	1.7	1/	--	--	--	--	1.7	1/	--	--	1.7	1/
Eggs, dried	2.7	2.4	1.1	.4	20.4	10.3	24.2	13.1	--	--	24.2	13.1
Honey	.7	1/	--	--	--	--	.7	1/	--	--	.7	1/
Lamb	.5	2.3	7.6	1.7	--	--	8.1	4.0	--	--	8.1	4.0
Lard	6.8	27.2	8.6	8.5	62.2	80.9	77.6	116.6	--	--	77.6	116.6
Chopped meats	--	--	--	--	5.1	132.8	5.1	132.8	--	--	5.1	132.8
Rolled Oats	--	--	--	--	20.0	27.9	20.0	27.9	--	--	20.0	27.9
Olives	2.1	1/	--	--	--	--	2.1	1/	--	--	2.1	1/
Peanut butter	6.2	10.1	--	--	11.5	39.2	17.7	49.3	--	--	17.7	49.3
Pork & Gravy	--	--	--	--	58.3	10.5	58.3	10.5	--	--	58.3	10.5
Potatoes	--	15.3	--	25.1	--	--	--	40.4	--	--	--	40.4
Poultry, canned	--	--	4.0	1/	--	--	4.0	1/	--	--	4.0	1/
Turkeys	--	59.7	--	--	--	--	--	59.7	--	--	--	59.7
Vegetables	1.5	--	.9	--	--	--	2.4	--	--	--	2.4	--
Total, Section 32	113.8	135.6	44.2	40.2	234.0	365.6	392.0	541.4	--	--	392.0	541.4
Section 416:												
Beans	3.2	9.3	.3	2.8	19.4	60.5	22.9	72.6	--	32.7	22.9	105.3
Bulgur	--	--	--	--	--	--	--	--	--	58.4	--	58.4
Butter	--	83.8	--	18.1	--	59.5	--	161.4	--	--	--	161.4
Cheese	--	44.0	--	8.3	--	49.5	--	101.8	--	--	--	101.8
Cornmeal	15.6	16.4	8.1	7.6	139.5	178.1	163.2	202.1	393.5	392.8	556.7	594.9
Corn	--	--	--	--	--	--	--	--	24.2	45.6	24.2	45.6
Cottonseed & Soy Bean Oil	--	--	--	--	--	--	--	--	7.4	92.3	7.4	92.3
Flour	105.6	120.8	79.2	78.1	252.9	347.3	437.7	546.2	1,176.8	1,369.2	1,614.5	1,915.4
Milk	24.6	26.9	15.1	13.7	123.4	168.4	163.1	209.0	467.1	524.1	630.2	733.1
Peanut oil	--	--	--	--	--	--	--	--	--	10.1	--	10.1
Rice	21.9	22.2	8.5	8.1	86.3	111.0	116.7	141.3	175.1	--	291.8	141.3
Shortening	--	--	--	--	--	--	--	--	22.9	129.8	22.9	129.8
Wheat	--	--	--	--	--	--	--	--	--	49.1	--	49.1
Wheat, rolled	--	3.8	--	3.0	--	37.1	--	43.9	91.6	--	91.6	43.9
Total, Section 416	170.9	327.2	111.2	139.7	621.5	1,011.4	903.6	1,478.3	2,358.6	2704.1	3262.2	4,182.4
Grand Total	284.7	462.8	155.4	179.9	855.5	1,377.0	1,295.6	2,019.7	2,358.6	2704.1	3654.2	4,723.8

1/ Less than 50,000 pounds.

2. Marketing Agreement and Order Programs in Effect for Fluid Milk During Fiscal Year 1962

Orders	Number of Producers	Producer (1,000 lb.)	States of Origin
ENGLAND			
ton	9,514	2,120,666	Mass., N.Y., Maine, Vt., N.H., Conn.
necticut	2,978	1,059,022	Conn., N.Y., Mass., R.I., Vt.
theastern New England	2,056	641,000	Conn., Mass., N.Y., R.I., Vt.
ingfield	820	195,191	Mass., Vt., N.Y., Conn., N.H.
cester	900	232,126	Mass., Vt., N.Y., Conn., N.H.
DLE ATLANTIC			
York - New Jersey	47,198	11,202,608	N.Y., Pa., N.J., Md., Vt., Del.
ladelphia	6,266	1,601,841	Pa., Del., N.J., N.Y., Md., Va., W.Va.
TH ATLANTIC			
alachian	873	237,624	Va., Tenn., Ky., N.C., W. Va.
rksburg	359	66,029	Md., Pa., W. Va.
theastern Florida	94	482,777	Fla.
-State	1,571	274,590	Ohio, W. Va., Ky.
er Chesapeake Bay	2,348	694,125	Md., Pa., W.Va., Va., Del.
hington, D. C.	2,322	1,009,957	Md., Va., Pa., W. Va.
eling	961	161,919	Ohio, W. Va., Pa.
mington	700	227,793	Del., N.Y., N.J., Pa., Md., D.C., Va., W. Va.
T NORTH CENTRAL			
stern Group			
cinnati	3,794	636,142	Ohio, Ky., Ind.
umbus	1,291	379,839	Ohio
ton-Springfield	1,736	456,370	Ohio, Ind.
kegon	425	115,625	Michigan
th Central Ohio	1,059	250,843	Ohio, Ind.
thea stern Ohio	8,506	1,779,922	Ohio, Ind., Mich., Pa.
thern Michigan	14,173	3,444,441	Mich., Ohio, Ind.
edo	1,125	351,259	Ohio, Mich., Ind.
tate Michigan	263	64,266	Mich.
ngstown-Warren	1,145	237,649	Ohio, Pa.
stern Group			
cago	18,375	5,773,071	Ill., Wis., Ind., Mich.
t Wayne	869	187,978	Ind., Mich., Ohio
ianapolis	4,136	873,504	Ind., Ill., Ohio
isville-Lexington-Evans	4,192	782,865	Ky., Ind., Tenn., Ill.
ison	613	18,491	Wisconsin
higan Upper Peninsula	660	125,964	Mich., Wisc.
waukee	2,140	708,241	Wisconsin
theastern Wisconsin	1,409	440,837	Wisconsin
k River Valley	243	81,824	Illinois
Bend-LaPorte-Elkhart	706	191,320	Ind., Mich.
urban St. Louis	1,690	335,522	Ill., Ind., Mo., Ky.

Orders	Number of Producers	Producer Milk (1,000 lb.)	States of Origin
WEST NORTH CENTRAL			
Northern Group			
Black Hills	118	47,525	S. Dak., Wyo.
Cedar Rapids-Iowa City	785	217,276	Iowa, Ill., Minn., Wis.
Des Moines	1,045	296,202	Iowa, Minn.
Duluth-Superior	997	166,823	Minn., Wis.
Eastern South Dakota	126	38,937	S. Dak., N. Dak.
Minneapolis-St. Paul	3,681	1,093,262	Minn., Wis.
Nebraska-Western Iowa	1,957	492,893	Nebr., Iowa., S.Dak., Minn., Kans.
North Central Iowa	843	272,298	Iowa, Minn.
Quad Cities-Dubuque	768	237,880	Iowa, Ill., Wis.
Sioux City	174	64,093	Iowa, S. Dak., Nebr.
Sioux Falls-Mitchell	310	100,258	S. Dak., Minn., Iowa
Southern Group			
Kansas City	2,481	683,465	Mo., Minn., Kans., Iowa
Neosho Valley	615	151,511	Kans., Mo., Okla.
Ozarks	1,086	244,906	Mo., Ark., Okla.
St. Joseph	451	104,039	Mo., Kans., Nebr., Iowa
St. Louis	3,005	768,994	Mo., Ill., Iowa, Wis.
Southwest Kansas	200	76,304	Kans., Colo., Okla.
Wichita	933	295,497	Kans., Okla.
EAST SOUTH CENTRAL			
Central Mississippi	826	206,398	Miss.
Chattanooga	682	176,830	Tenn., Ga., Ala.
Knoxville	825	202,372	Tenn.
Memphis	1,083	261,984	Ky., Miss., Tenn., Mo., Ark., Okla.
Mississippi Delta	392	111,639	Miss.
Mississippi Gulf Coast	440	76,812	Miss., Ala.
Nashville	1,379	336,633	Tenn., Ky.
Paducah	454	93,667	Ky., Ark., Tenn., Okla.
WEST SOUTH CENTRAL			
Northern Group			
Central Arkansas	878	195,683	Ark., Okla., Miss.
Fort Smith	226	49,740	Ark., Okla.
Oklahoma Metropolitan	2,280	620,135	Okla., Ark., Mo., Kans.
Red River Valley	527	183,930	Okla., Texas
Texas Panhandle	479	182,697	Okla., Texas, N. Mex.

Orders	Number of Producers	Producer Milk (1,000 lb.)	States of Origin
WEST SOUTH CENTRAL - Con.			
Southern Group			
Austin-Waco	354	145,431	Texas
Central West Texas	439	187,633	Texas, N. Mex.
Corpus Christi	348	164,693	Texas
New Orleans	2,025	429,683	La., Miss.
North Texas	2,545	1,019,989	Texas, Okla., Kans., Mo.
Northern Louisiana	532	174,859	La., Ark., Texas
San Antonio	483	250,525	Texas
MOUNTAIN			
Central Arizona	330	445,850	Ariz., Calif.
Colorado Springs-Pueblo	249	90,815	Colo., Kans., Nebr.
Eastern Colorado	1,462	347,577	Colo.
Great Basin	1,260	412,856	Utah, Wyo., Nev., Idaho
Western Colorado	104	35,075	Colo.
PACIFIC			
Inland Empire	633	165,036	Wash., Idaho, Mont.
Puget Sound	3,184	1,178,859	Wash.
TOTAL (81 markets)	191,504	50,542,805	
Estimated Farm Value (1,000 dollars)		2,118,869	

3. Fruit, Vegetable and Tree Nut Marketing Agreement and Order Program in Effect during Fiscal Year 1962

Orders in Effect	Est. No. of Commercial Producers	Estimated Farm Values ($1,000)
Citrus fruits:		
California - Arizona Navel Oranges	4,400	$ 49,896
California - Arizona Valencia Oranges	5,700	52,617
California - Arizona grapefruit	2,000	3,816
California - Arizona lemons	4,000	33,825
Florida oranges, grapefruit, tangerines and tangelos	15,000	290,960
Florida limes	500	1,391
Texas oranges and grapefruit	4,000	8,180
Indian River Florida grapefruit	1,600	1/
1/ Included under Fla. grapefruit above.		
Deciduous fruits:		
Florida avocados	600	1,037
California Takay grapes	1,200	5,429
Colorado peaches	800	4,404
Georgia peaches	350	10,670
Utah peaches	1,000	640
Washington peaches	1,500	2,937
California Bartlett pears, plums and Elberta peaches	8,220	57,155
California nectarines	1,250	5,562
Oregon-Washington-California winter pears	1,000	13,182
Washington apricots	1,000	1,122
Washington sweet cherries	1,000	6,719
Dried fruits:		
California grapes for crushing	10,000	41,429
California dates	300	3,120
Idaho-Oregon prunes	250	2,480
California prunes	6,000	45,678
California raisins	6,000	45,828
Washington-Oregon prunes	1,000	2,930
Vegetables:		
California peas and cauliflower	74	787
Texas carrots	1,000	7,153
Florida tomatoes	1,360	40,318
Idaho-Oregon onions	300	5,999
Texas tomatoes, lettuce, onions	1,946	13,372
Potatoes:		
Colorado	1,455	15,060
Idaho-Oregon	5,624	56,600
Oregon-California	1,003	12,100
Maine	3,003	37,000
Red River Valley	4,076	21,800
Southeastern States	3,955	10,550
Eastern South Dakota	286	650
Washington	850	12,400
New England, except Maine	1,311	10,160
Nuts:		
California almonds	6,000	36,720
Oregon-Washington filberts	3,400	4,051
Oregon-Washington-California walnuts	13,000	30,473
Total, 44 orders	xxx	$1,006,200

4. New Marketing Agreements and Orders

Current Activities: Costs connected with the development and formulation of self-help stabilization programs involve the expenses of industry advisory committees established to advise the Secretary, public hearings, referendums to determine producer sentiment, and related expenses. These expenses in fiscal year 1962 amounted to $654,223. When the plan most likely to be adopted will be a new or amended marketing agreement or order, section 32 funds are used. Costs of the Department of supervising the adopted marketing agreement and order program are financed from Section 32 funds.

Examples of recent progress: During fiscal year 1962 Advisory Committees were active on broilers, eggs, honey, milk and dairy products, potatoes, turkeys and turkey hatching eggs and informal committees on grass seeds. Hearings were held on potatoes, rye grass, turkeys and cranberries, and a referendum was held on turkeys in June which was voted down.

Summary of F. Y. 1962 Activities

Advisory Committees

Commodity	No. Meetings
Broilers	4
Eggs	2
Honey	2
Milk & Dairy Products	3
Potatoes	3
Turkeys	3
	17

Public Hearings

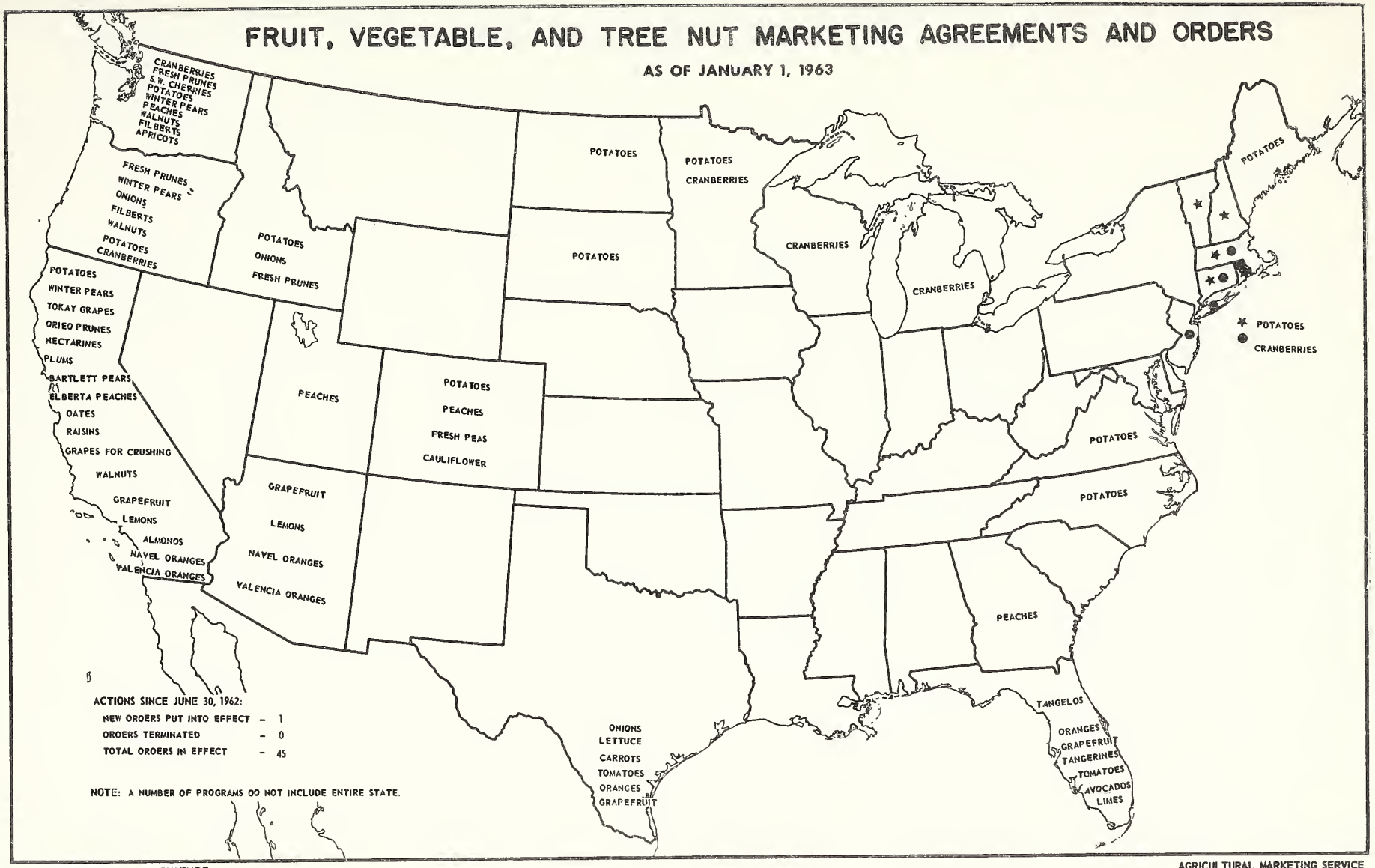
Commodity	No. Hearings
Potatoes	7
Turkeys	7
Rye Grass	1
Cranberries	1
	16

Referendum

Turkeys	Number
States	46
Counties	1279

FRUIT, VEGETABLE, AND TREE NUT MARKETING AGREEMENTS AND ORDERS

AS OF JANUARY 1, 1963



ACTIONS SINCE JUNE 30, 1962:

NEW ORDERS PUT INTO EFFECT	1
ORDERS TERMINATED	0
TOTAL ORDERS IN EFFECT	45

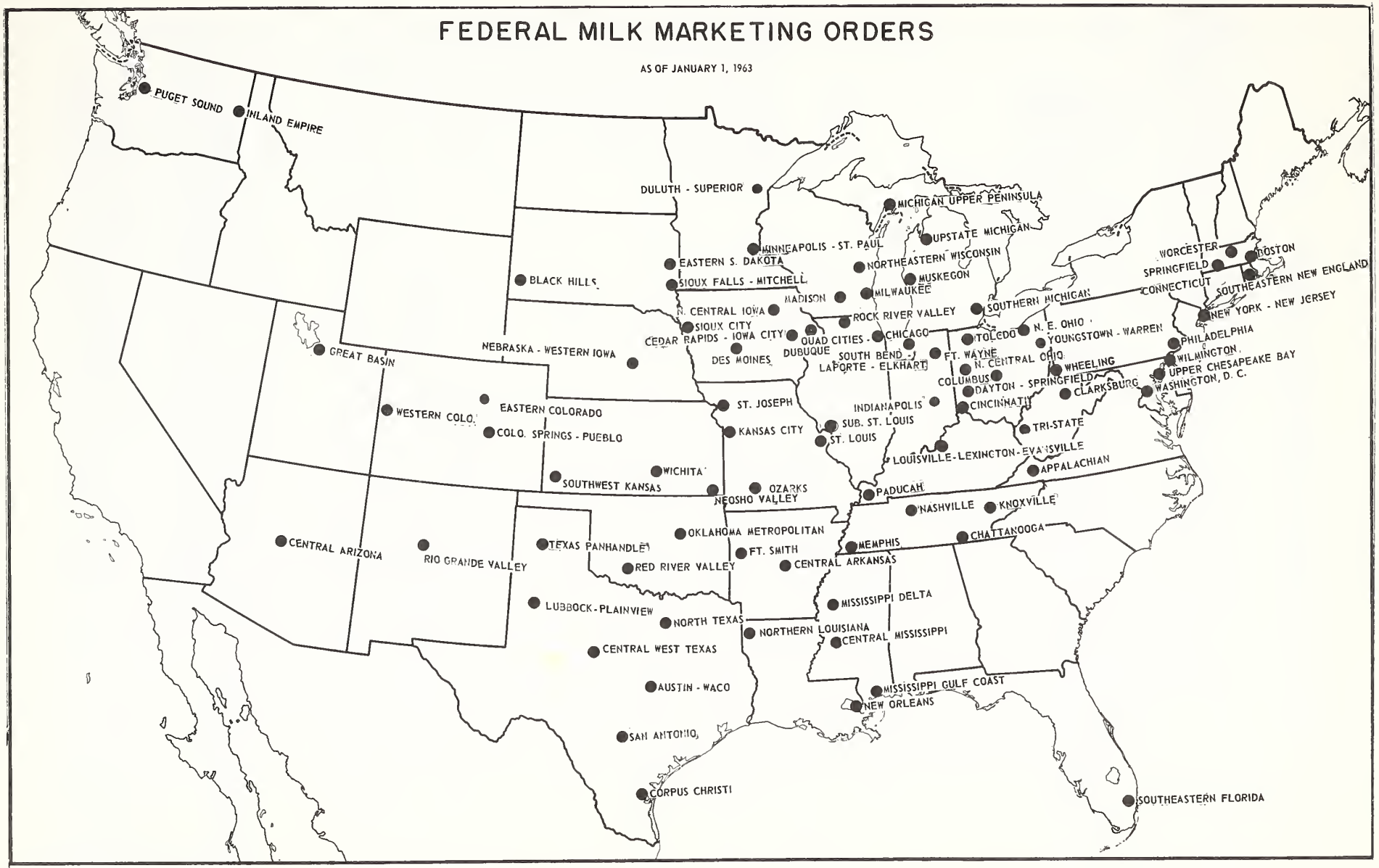
NOTE: A NUMBER OF PROGRAMS DO NOT INCLUDE ENTIRE STATE.

U.S. DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE

FEDERAL MILK MARKETING ORDERS

AS OF JANUARY 1, 1963



U.S. DEPARTMENT OF AGRICULTURE

(g) Perishable Agricultural Commodities Act Fund

Appropriation, 1963 and base for 1964 (from receipts)	$728,650
Budget estimate, 1964 (from receipts)	913,000
Increase in annual permanent appropriation (due to estimated increase in revenue)	+184,350

Note: A total of $966,579 is estimated to be available for obligation in fiscal year 1964, including an unobligated balance of $53,579 to be carried forward from 1963. Of this total, the estimates tentatively forecase obligations of $922,000 for fiscal year 1964, leaving a carryover of $44,579 into fiscal year 1965.

PROJECT STATEMENT
(On basis of available funds)

Project	1962 (actual)	1963 (estimated)	Increases: Increased Pay and Postal costs (P.L. 87-793)	Increases: Other	1964 (estimated)
Licensing dealers and handling complaints a/	$734,628	$848,650	+$28,350	+$45,000 (1)	$922,000
Unobligated balance brought forward	-243,664	-173,579	- -	+120,000	-53,579
Unobligated balance carried forward	173,579	53,579	- -	-9,000	44,579
Total increased costs of (P.L. 87-793):					
Pay costs	(- -)	(31,348)	(+27,015)	(+1,573)	(59,936)
Postal costs	(- -)	(1,335)	(+1,335)	- -	(2,670)
Total available or estimate	664,543	728,650	+28,350 (2)	+156,000	913,000

a/ Represents obligations. Applied costs for 1962 are $736,557. The difference of $1,929 reflects primarily, excess of equipment received in 1962 over equipment ordered.

(1) A net increase in obligations of $45,000 consisting of:

(a) A program increase of $47,500 to place on a full year basis the expansion made in 1963 to carry out a program to fully implement the provisions of the Perishable Agricultural Commodities Act as amended.

Need for Work. The purpose of the Perishable Agricultural Commodities Act is to protect farmers and others in the produce industry from unfair and fraudulent practices, to promote more orderly marketing, to prevent unjustified destruction or dumping of farm products, and to require a true and correct

accounting for consigned produce. In the absence of USDA regulation the fresh fruit and vegetable industry would be highly vulnerable to unscrupulous practices by some individuals. Unfair trade practices would give the person employing them a competitive advantage in the market which would force other members of the industry to adopt similar practices if they were to survive. The produce industry's support of PACA is a strong indication of the importance which it attaches to continued close policing and to the provisions for providing a means of meting out justice for those victimized by unfair trade practices.

In recent years, the $25 license fee has proven to be inadequate to finance the program at a level necessary for the stability and effective operation of the fresh fruit and vegetable industry. Consequently, as the carryover balance has been depleted, it has been necessary to limit the program level. The enactment of Public Law 87-725 on October 1, 1962, authorized an increase in license fees to a maximum of $50. The Department plans to place a new fee of $36 in effect as soon as possible. To the extent that this is not sufficient a further increase will be made as may be necessary. The increased revenue resulting from the higher license fee should permit the Department to meet more nearly the requirements of the Act.

(b) A reduction of $2,500 to reflect estimated savings due to the installation of a centralized data processing operation (MODE) for payroll and personnel data. An explanation of this reduction is included in the preface to these Explanatory Notes.

(2) An increase in obligations of $28,350 for pay and postal costs pursuant to P.L. 87-793. (An overall explanation of increases for pay and postal costs is included in the preface to these Explanatory Notes in Volume 1.)

STATUS OF PROGRAM

Current Activities: This special fund, comprised of annual license fees, is used for the administration of the Perishable Agricultural Commodities Act and the Produce Agency Act. The enactment of Public Law 87-725 on October 1, 1962, withdrew from this fund financing of the Export Apple and Pear Act. These laws are designed to (1) protect producers, distributors, consumers and others from unfair and fraudulent practices in the marketing of perishable agricultural commodities; (2) prevent the unwarranted destruction or dumping of farm products handled for and on behalf of others; and (3) promote foreign trade in apples and pears.

Commission merchants, dealers, and brokers subject to the Act who handle fresh or frozen fruits and vegetables in interstate and foreign commerce must be licensed under the Perishable Agricultural Commodities Act. In addition, certain retailers are subject to the Act and are required to be licensed. Those who handle produce for the account of others are required to give a true and correct accounting to their principal for commodities sent for sale in the market. Buyers and sellers must live up to the terms of their contracts. False or misleading statements, misbranding, etc., are prohibited.

Any interested party or agency may request the assistance of the Department in settling disputes under the Act. When there is an apparent violation of the Act, the Department will promptly communicate with the respondent party; make necessary investigation; and endeavor to bring about an amicable informal settlement. Where informal settlement of disputes cannot be arranged the opportunity to file and pursue formal complaint under the law is given to the complaining party. In formal proceedings each party has an opportunity to present his side fully. The Department determines whether a violation existed, the loss or amount of damages to be paid and issues a formal order calling for reparation where appropriate. If violations are repeated or flagrant, disciplinary action may be taken by the Department seeking to suspend or revoke the offender's license. The majority of cases involve questions of quality and condition. Evidence consists principally of inspection certificates and other pertinent documents furnished by complainants and respondents.

Most settlements of disputes are made on the basis of precedents established by experience gained from handling previous disputes, and from a knowledge of marketing principles and practices and application of the provisions of the law. When formal decisions are handed down by the Secretary they are published and made available to the produce industry, and are used by the industry as a basis for avoiding disputes in the future and for settling disputes which do arise without the necessity for filing a complaint with the Department. Cases referred to the Department are, in general, those which are most difficult and which the parties are unable to settle themselves.

Activities under these Acts include licensing, collecting fees, investigating and handling complaints and working with growers, shippers, and receivers to correct and prevent misbranding of produce, thereby reducing the number of potential complaints.

Financing:

License Fees: Annual license fees, together with arrearage fees, and appropriations, if any, for this work are deposited into a special fund. With the exception of legal services (which are provided from the appropriation to the Office of the General Counsel), all expenses for administration of the Perishable Agricultural Commodities, and Produce Agency Acts are paid from this fund. The enactment of Public Law 87-725 on October 1, 1962 transfers to the Marketing Research and Service Appropriation the financing of the Export Apple and Pear Act which previously had been financed from this fund. The amendment also authorizes an increase in the annual PACA license fee from $25 to a maximum of $50 and increases the number exempt from license. The Department plans to increase the license fee effective January 1, 1963.

Revenue and Obligations:

Item	Revenue collected and obligations incurred				
	1960	1961	1962	1963 Est	1964 Est
Fees and arrearages collected	$678,748	$693,210	$664,543	$728,650	$913,000
Appropriation for retirement costs (transferred from "Marketing Services")	25,400	25,400	25,400	6,350	-
Balance from prior years used	44,012	101,158	70,301	120,000	9,000
Obligations	748,160	819,768	760,244	855,000	922,000

Selected Examples of Recent Progress and Trends:

1. Perishable Agricultural Commodities Act

a. PACA-Industry Conference: The Fifth PACA-Industry Conference of USDA and produce industry representatives was held in New York City in February 1962. The purpose of these annual conferences is to give industry representatives an opportunity to discuss with Department officials problems in connection with the administration of the Perishable Agricultural Commodities Act. Most of the discussion at the 1962 conference was concerned with the proposed amendments to the Act and with the question of licensing retailers and frozen food brokers. There was also considerable discussion of the amendment to the Regulations under the Act providing a good delivery standard for lettuce, disciplinary actions, and the educational program conducted by the Department for the purpose of encouraging cooperation between industry and government.

b. Licenses: The number of licenses in effect on June 30 decreased from 25,336 in 1961 to 24,661 at the end of the 1962 fiscal year. This decrease is a reflection of the financial difficulties of some segments of the industry.

Licensing Activity

Activity	Fiscal Year 1960	1961	1962	1963 Est.	1964 Est.
Licenses renewed	19,707	20,003	20,230	18,400	17,800
New licenses issued	5,412	5,333	4,431	4,200	4,200
Licenses terminated	5,251	5,116	5,106	6,261	4,800
Total actions	30,370	30,452	29,767	28,861	26,800
In effect June 30	25,119	25,336	24,661	22,600	22,000

c. Comparison of 1962 Complaints and Reparation Awards to Past Years and Estimates for 1963 and 1964:

Item	Fiscal Year 1960	1961	1962	1963 Est.	1964 Est.
Complaints to be handled:					
On hand July 1	750	731	638	484	589
Received or reopened	2,446	2,346	2,068	2,345	2,345
Total	3,196	3,077	2,706	2,829	2,934
Settlements of Complaints:					
Formal decisions	386	436	354	380	390
Informal amicable settlements	980	902	930	940	960
Otherwise closed	1,099	1,101	938	920	950
Pending-June 30	731	638	484	589	634
Reparations:					
Awarded-Formal Orders	$425,543	$731,704	$622,712	$700,000	$730,000
Payments-amicable settlements	1,103,006	955,507	980,338	1,000,000	1,020,000
Total	1,528,549	1,687,211	1,603,050	1,700,000	1,750,000

In addition to actual complaints filed, thousands of inquires from receivers, brokers, shippers, and other sources seeking counsel and advice were handled. Suggestions and recommendations in these cases have resulted in the settlement of numerous disputes and eliminated the necessity of filing complaints with the Department.

d. Informal Complaints and Settlements: Of the 2,706 cases to be handled, 2,223 were closed including 930 amicable settlements which resulted in payment of $980,338 in reparations -- an increase of 28 amicable settlements over fiscal year 1961. Included in the above total cases handled are 346 disciplinary complaints, 279 of which were concerned with misbranding. This represents a substantial reduction from the 323 misbranding cases handled last year. The remaining 67 disciplinary complaints involved failure to pay promptly for produce purchased, failing to maintain adequate records, questioning of applicant's fitness for license under the Act and violations in other categories. 16 cases were disposed of by formal decision of the Secretary. 4 cases were disposed of through the courts.

e. Formal Reparation Complaints: 323 formal reparation complaints were referred to the office of the General Counsel in 1962--70 fewer than last year. Formal orders issued included 263 reparation awards amounting to $622,712. These awards resulted in the payment to complainants of $199,505. Because of refusal or failure to pay reparation awards 55 licenses were suspended and 47 additional licensees permitted their licenses to expire before raparation orders issued against them became final. 127 reparation cases were pending in the Office of the General Counsel on June 30 1962 compared to 140 cases on the same date a year ago.

f. Good Delivery Standards for Lettuce: The good delivery standards for lettuce became effective in March 1962. These standards establish tolerances for the amount of damage and decay at destination under different types of f.o.b. contracts. The good delivery standards are entirely separate from the tolerances provided in the U.S. Standards for grades of lettuce. The proposed standards were previously published for the information of the industry and were modified on the basis of comments received. It is expected that as soon as the industry becomes full familiar with these standards, disputes in connection with shipments of lettuce will be reduced.

2. Produce Agency Act

a. Cases Handled: There were 8 cases pending under the Act at the close of fiscal year 1962 as compared to 26 cases the previous year. 44 new cases were filed in 1962 and 62 cases were closed. Amicable settlements were effected in 24 cases compared to 14 amicable settlements in fiscal year 1961. Personal investigations of 24 complaints were conducted during the year.

3. Export Apple and Pear Act

a. Compliance Surveys: Surveys for compliance with the Act were made of carriers and exporters in Boston, Miami, New York, Portland, Seattle, and San Francisco. The records of export shipments of 50 carriers and 50 exporters were checked and it was found that they were generally complying with the Act. One violation involving the export of a shipment of apples which had failed to meet the requirements prescribed by the Act was referred to the Department of Justice. The violator was found guilty and fined. The enactment of Public Law 87-725 transfered the administration of this Act to the Marketing Research and Service Appropriation, effective October 1, 1962.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which by November 30, 1962, were actually received or programed for 1963 or 1964. Since work for other agencies is performed on a service basis at the request of those agencies and for their benefit, it is not practicable in all cases to estimate in advance the amounts to be received.)

Item	Obligations, 1962	Estimated Obligations, 1963	Estimated Obligations, 1964
Allocations and Working Funds (Advances from other agencies):			
Department of Agriculture:			
Commodity Credit Corporation (Capital funds):			
Special milk program	$89,492,820	a/ - -	a/ - -
Granary storage research program	26,611	$43,000	$43,000
National Wool Act of 1954	2,296	- -	- -
Total, (Capital funds)	89,521,727	43,000	43,000
(Administrative expenses):			
Special milk program	614,897	a/ - -	a/ - -
Consolidated Working Fund, General Agriculture - For assistance under the Area Redevelopment Program	6,432	25,470	36,900
Agency for International Development:			
Training services	16,073	24,700	24,700
Technical consultation and support	8,875	4,300	4,300
Administrative expenses	1,376	1,600	1,650
Total, Agency for International Development	26,324	30,600	30,650
Office of Emergency Planning:			
Food management preparedness	27,891	91,900	150,000
Radiological defense training	492	- -	- -
Total, Office of Emergency Planning	28,383	91,900	150,000
Total, Allocations and Working Funds	90,197,763	190,970	260,550
Trust Funds:			
Expenses and refunds, inspection and grading of farm products - inspection, grading, and certification of:			
Cottonseed	30,318	37,365	32,532
Dairy products	2,293,118	2,826,879	2,895,505
Fresh and processed fruits and vegetables	6,834,225	7,509,659	8,079,765
Meat	5,151,281	5,436,966	5,709,486
Naval stores	12,513	17,115	14,113
Poultry products	4,222,163	4,576,516	4,721,261
Rice, hay, beans, peas, seed, hops, and miscellaneous agricultural commodities	1,823,747	2,449,750	2,516,271
Total, Expenses and refunds	20,367,365	22,854,250	23,968,933

a/ Pursuant to authority in the Agricultural Act of 1961, a direct appropriation of $105,000,000 was received for fiscal year 1963 and $102,000,000 is requested for fiscal year 1964 to carry out the special milk program.

(Continued on next page)

Item	Obligations, 1962	Estimated Obligations, 1963	Estimated Obligations, 1964
Miscellaneous contributed funds (principally evaluation of cotton fiber quality, peanut marketing quality, and other cooperative marketing research)	33,454	64,000	36,500
Total, Trust Funds	20,400,819	22,918,250	24,005,433
Obligations under Reimbursements from Governmental and Other Sources:			
Marketing research and service:			
Marketing research	145,168	126,050	126,050
Marketing services	3,250,085	3,780,791	3,780,791
Total, Marketing research and service	3,395,253	3,906,841	3,906,841
Other	3,914	1,336	- -
Total, Reimbursements	3,399,167	3,908,177	3,906,841
TOTAL OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS	113,997,749	27,017,397	28,172,824

Note: In addition, foreign currencies are available under section 104(k) of Public Law 480 for marketing research projects abroad. This work is conducted by the Agricultural Research Service with the assistance of the Agricultural Marketing Service in the review and appraisal of marketing research projects undertaken abroad. The dollar expenses of the Agricultural Marketing Service in connection with this work are paid from the appropriation "Marketing Research and Service." Information on the use of foreign currencies for research by the Department is contained in the Agricultural Research Service section of these Explanatory Notes.

PASSENGER MOTOR VEHICLES

The 1964 Estimates provide for replacement of 30 passenger motor vehicles. The replacement represents 19 percent of the total of 161 passenger motor vehicles available to the Agricultural Marketing Service at the end of 1963.

The 30 replacements in fiscal year 1964 include: (a) 23 cars for Marketing Research and Service activities; (b) 7 cars for Marketing inspection and related trust fund activities.

Passenger motor vehicles are replaced on the basis of mileage and age replacement standards prescribed by the General Services Administration which provides that vehicles to be replaced must be at least six or more years of age, or driven 60,000 miles or more, and other factors.

The number of passenger motor vehicles estimated to be available for 1964 represents the minimum required to maintain essential services of the current programs of the Agricultural Marketing Service. These cars are used in providing the following necessary services: (1) carrying special grading and testing equipment used for inspecting and grading commodities and for performing other work required under United States Warehouse Act, Packers and Stockyards Act, United States Grain Standards Act, Cotton Acts, and Naval Stores Act; (2) carrying boxes of cotton standards types used in classing work and demonstrations at farmers' meetings, and for carrying market news releases and related material for distribution at tobacco auction markets and for assistance to farmers in preparing tobacco for market; (3) for travel to places which are in most cases not accessible by common carrier, such as travel to farms, market terminals, offices of produce dealers and truckers, processing plants, canneries, stockyards, tobacco auction markets, cotton gins, plantation and compress operators, railroad yards, piers, grain elevators, and warehouses.

The age and mileage data for passenger motor vehicles on hand as of June 30, 1962 follows:

Age Data			Mileage Data		
Age-Year Model	Number of Vehicles	Percent of Total	Lifetime Mileage	Number of Vehicles (thousands)	Percent of Total
1957 or older	55	33	Over 100	1	-
1958	25	15	80 - 100	4	2
1959	19	11	60 - 80	16	10
1960	24	14	40 - 60	46	28
1961	23	14	20 - 40	50	30
1962	21	13	Under 20	50	30
	167	100		167	100

FOREIGN AGRICULTURAL SERVICE

Purpose Statement

The primary function of the Foreign Agricultural Service is to help American agriculture in maintaining and expanding foreign markets for its products.

The agency performs three principal kinds of service functions:

It maintains a worldwide agricultural intelligence and reporting service, to assist U. S. agricultural industry in its export operations. This is done through a continuous program of analyzing and reporting foreign agricultural production, markets, and policies.

It helps to develop foreign markets for U.S. farm products through administration of special export programs and through helping to secure international trade conditions that are favorable toward our products.

It coordinates Department of Agriculture activities and relationships in the foreign field, including relations with international organizations and foreign governments.

1. International Agricultural Affairs - The Service directs and coordinates Department participation in the formulation of trade programs and agreements to stabilize and expand world trade in American agricultural products, and to reduce restrictive stariff and trade practices against import of American agricultural commodities. Of special importance at this time is the relationships with the European common market and intensive efforts are being made to maintain access to the market for U.S. agricultural commodities. This requires comprehensive analysis of the developing situation in the common market countries and related trade areas and appropriate representation to officials of the European Economic Community. Recommendations for the departmental positions on trade agreements and international commodity agreements are formulated. Continuous review is made of the trade regulations of signatories to the General Agreement on Tariffs and Trade as these regulations affect the movement of American farm products in international trade. Policies, programs, positions, and standards of participation in public and private international organizations are developed. The Service administers a program of import controls in accordance with section 22 of the Agricultural Adjustment Act of 1935, as amended.

2. Agricultural Attaches - The Service directs and coordinates a world-wide agricultural attache service with particular emphasis on the development of markets for U.S. products, and on trade reporting from foreign areas designed to aid U.S. farmers and exporters. The Service represents U.S. agriculture in the principal countries of the world.

3. Export Programs - Maintenance and expansion of foreign markets for surplus agricultural products are promoted by (a) developing agreements with foreign countries for sales of U.S. agricultural commodities under Public Law 480, and following up on the shipments of those commodities; and (b) directing and financing the operation of market development projects for agricultural products. Market development projects are, in most cases, carried out in cooperation with commodity trade groups under cooperative agreements. These projects carried out in foreign countries expand markets for U.S. agricultural commodities.

4. Commodity Programs - Information on foreign market requirements for specific commodities is obtained, analyzed, and made available to farm and trade groups. Market programs are developed for use by producers, exporters, and Government officials to maintain and expand the market abroad for U.S. farm products. Assistance is rendered to domestic trade representatives in negotiations with foreign government officials, importers, and consumers and bringing together American exporters and foreign importers under conditions favorable to trade.

5. Barter and Stockpiling - The Service, in cooperation with other government agencies, conducts a barter program designed to utilize surplus agricultural commodities, in lieu of dollars, in acquiring goods, materials, and equipment required by other government agencies from other countries. This work is financed with funds transferred from "Administrative Expenses, Commodity Credit Corporation."

6. General Sales Management - The Service conducts a general sales management program to develop sales, and pricing policies and programs for sales for export, including sales for credit. The program also now includes price and quality review. Foreign data such as prices and stocks and rail, truck, barge and ocean freight rates and other market information is collected and recorded for use in program development. Information concerning prices and other sales terms, sales programs and commodity availablities is furnished to U.S. exporters, foreign importers and foreign government officials. This work is financed with funds transferred from "Administrative Expenses, Commodity Credit Corporation."

7. Assistance to Agency for International Development - The Service also participates in the administration of the agricultural portion of the foreign assistance program with funds allocated from the Agency for International Development. This work includes coordination of the Department's participation in the program and direction of the training program for foreign agricultural leaders, and the providing of technical information and advice in connection with the operation of the agricultural technical assistance program in foreign countries.

As of November 30, 1962, there were 873 employees in the Foreign Agricultural Service. Of the total number of employees, 600 were located in Washington, D.C., 11 in the U.S. outside the Washington Metropolitan area, and 262 were stationed in foreign countries.

	Estimated Available for 1963, Adjusted for Comparability with 1964 Estimate	Budget Estimate, 1964
Salaries and expenses	$17,148,000	$19,039,000
Transfer from "Removal of surplus agricultural commodities"	3,117,000	3,117,000
Transfer from "Administrative expenses, Commodity Credit Corporation" a/	1,265,000	1,417,000

(Continued on next page)

	Estimated Available for 1963, Adjusted for Comparability with 1964 Estimate	Budget Estimate, 1964
Salaries and expenses (Special foreign currency program)	3,994,000	- -
Total b/	25,524,000	23,573,000

a/ Represents allotment from "Administrative expenses, CCC" in 1963. In 1964, it is proposed to transfer funds from this account in lieu of an allotment.

b/ Represents appropriations. An additional $3,906,323 was available in 1963 and $3,829,608 is estimated to be available in 1964 from unobligated balances brought forward under the appropriation "Salaries and expenses (Special foreign currency program)."

Revision of activity titles and structure in the 1964 Budget Estimates.

The 1964 Budget Estimates propose a revision of the activities under the item "Salaries and expenses, Foreign Agricultural Service," as follows:

Activities in the 1963 Budget	Activities in the 1964 Estimates
1. International agricultural affairs	1. International agricultural affairs
2. Agricultural attaches	2. Agricultural attaches
3. Market development programs	3. Export programs
	4. Commodity programs
	5. Barter and stockpiling
	6. General sales management

The proposal would revise activity 3 by dividing it into two separate activities, Export Programs and Commodity Programs. This would align the activity structure and the newly revised organization structure and would provide for obtaining accounting and budget information on the commodity program function separately from the export program function. This change will have no effect on overall financing.

Two new activities (Nos. 5 and 6) Barter and Stockpiling and General Sales Management respectively, would be added. This addition is to include under the "Salaries and expenses" appropriation these activities which in previous years have been included as part of other activities reflected under the "Limitation on Administrative Expenses, Commodity Credit Corporation." These functions were transferred to the Foreign Agricultural Service in April, 1961 pursuant to Secretary's Memorandum 1446, however, the financing and reporting continued on the old basis, by transfer from the Limitation on Administrative Expenses, Commodity Credit Corporation. This proposal along with the inclusion of transfer authority in the "Salaries and expenses, Foreign Agricultural Service" appropriation will bring together in one submission the functions of the Service.

The following table shows the effect of these changes on the previous activity structure:

Redistribution of Estimated Obligations, 1963
On Basis of Revised Activity Structure

Previous Activities	Revised Activities						
	Total	1. International agricultural affairs	2. Agricultural attaches	3. Export programs	4. Commodity programs	5. Barter and Stockpiling	6. General sales management
1. International agricultural affairs	$494,000	$494,000	- -	- -	- -	- -	- -
2. Agricultural attaches	3,905,000	- -	$3,905,000	- -	- -	- -	- -
3. Market development programs	16,870,715	- -	- -	$14,634,715	$2,236,000	- -	- -
Funds included under Limitation on Administrative Expenses, Commodity Credit Corporation	1,265,000	- -	- -	- -	- -	$550,000	$715,000
Total estimated obligations	22,534,715	494,000	3,905,000	14,634,715	2,236,000	550,000	715,000

(a) Salaries and Expenses

	Salaries and Expenses	Transfer from Sec. 32 funds	Transfer from CCC	Total
Appropriation Act, 1963	$16,895,000	$3,117,000	$1,265,000	$21,277,000
Transfer in 1964 estimates from "Salaries and expenses (Special foreign currency program)" to provide dollars to finance market development projects overseas	+6,000	- -	- -	+6,000
Proposed transfer, 1963, for increased pay costs ...	+247,000	- -	- -	+247,000
Base for 1964	17,148,000	3,117,000	1,265,000	21,530,000
Budget Estimate, 1964	19,039,000	3,117,000	1,417,000	23,573,000
Increase	+1,891,000	- -	+152,000	+2,043,000

Note: The following justifications incorporate the changes in the basis for the 1964 estimates as shown above, and are presented on an available funds basis. The Budget Estimate for 1964 reflects an increase of $2,043,000 over the appropriation for 1963 on a comparable basis; the increase on an available funds basis is $1,038,285, including the advances and reimbursements from "Limitation on administrative expenses, Commodity Credit Corporation."

SUMMARY OF INCREASES AND DECREASES, 1964
(On basis of available funds)

For implementing the new Trade Expansion Act with respect to agricultural commodities; to work out and support arrangements necessitated by the EEC (Common Market); and to meet demands of increasing activities with international organizations	+108,000
To provide for 3 additional attache posts in areas important to U. S. agriculture, to station a marketing specialist at a selected overseas marketing or distribution center, and enable selected existing posts to meet increased workload caused by recent international agricultural developments	+412,000
To expand and extend market development projects in dollar market areas	+9,285
To meet the demands in connection with the Common Market, increasing international commodity agreements and other marketing developments	+81,500
To strengthen commodity price and quality review	+53,000
Reduction to reflect estimated savings due to the installation of a centralized data processing operation (MODE) for personnel and payroll data	-20,000
For pay act costs pursuant to Public Law 87-793	+394,500
Net increase	+1,038,285

PROJECT STATEMENT
(On basis of available funds)

Project	1962	1963 (estimated)	Increase: Increased Pay Costs (P.L. 87-793)	Increase: Other	1964 (estimated)
1. International Agricultural Affairs	$437,274	$494,000	+$23,000	+$108,000(1)	$625,000
2. Agricultural Attaches	3,590,954	3,905,000	+114,000	+412,000(2)	4,431,000
3. Export Programs	11,939,331	14,634,715	+53,000	-10,715(3)	14,677,000
4. Commodity Programs	2,219,952	2,236,000	+105,500	+81,500(4)	2,423,000
5. Barter & Stockpiling	518,292	550,000	+49,000	- -	599,000
6. General Sales Management	417,449	715,000	+50,000	+53,000(5)	818,000
Total obligations or estimate a/	19,123,252	22,534,715	+394,500	+643,785	23,573,000
Unobligated balance	207,265	- -	- -	- -	- -
Total increased pay costs (P.L. 87-793)	(- -)	(296,900)	(+357,600)	(+29,500)	(683,000)
Total available or estimate	19,330,517	22,534,715 b/	+394,500	+643,785	23,573,000
Transfer from "Removal of surplus agricultural commodities"	-3,117,000	-3,117,000	- -	- -	-3,117,000
Transfer from "Limitation on Administrative expenses, Commodity Credit Corporation"	-1,035,000	-1,265,000	-99,000	-53,000	-1,417,000
Subtotal	15,178,517	18,152,715	+295,500(6)	+590,785	19,039,000
Transfer in 1964 estimate from Salaries & expenses (Special foreign currency program)	-2,721,517	-1,010,715			
Transferred from "Reimbursement to Commodity Credit Corporation for cost of special milk program" for increased pay costs	- -	-247,000			
Total appropriation or estimate	12,457,000	16,895,000			

a/ Applied costs comparable to obligations are $13,895,741 in 1962, $20,618,105 in 1963 and $21,179,000 in 1964. The differences are due primarily to an excess of market development contracts entered into over work completed.

b/ Includes $1,200 estimated to be transferred to "Salaries and expenses, General Administration" during fiscal year 1963 for the Office of the Inspector General.

BASIS OF 1964 ESTIMATES FOR FOREIGN AGRICULTURAL SERVICE

The 1964 estimates for the Foreign Agricultural Service involve only one change in basis. This is a transfer in the estimates of $6,000 from the Special Foreign currency appropriation, which is limited to work in countries where foreign currencies owned by the U. S. Treasury are in excess of the normal needs of the United States. In 1963, Syrian Arab Republic was an excess currency country. For 1964 currencies of this country have been declared by the Treasury Department to be non-excess, and therefore market development work by FAS in this country will be financed under the "Salaries and expenses" appropriation.

INCREASES AND DECREASES

(1) An increase of $108,000 for implementing the new Trade Expansion Act with respect to agricultural commodities; to work out and support arrangements necessitated by the EEC (Common Market), and to meet demands of increasing activities with international organizations.

Need for Increase: (a) Trade Policy - The main objective of FAS and, its International Agricultural Affairs Activity continue to be in the expansion of foreign outlets for U. S. farm products. In this connection, fiscal year 1964 will probably be one of the most significant periods in the evolution of world agricultural trade and trading relationships. Current developments which will contribute to the significance of fiscal year 1964 include: (1) enactment of the Trade Expansion Act of 1962; (2) implementation on July 30, 1962 of the first positive steps toward a common agricultural policy for certain commodities in the EEC; (3) active negotiations with the U. K. and others to expand the EEC; (4) reconsideration of EEC related Commonwealth trading relationships, and (5) inauguration of the Alliance for Progress with renewed emphasis on economic development in Latin America.

By approximately July 1, 1963, the foregoing developments will have created an environment wherein activity in International Affairs will be approaching a peak. A year from now, most of the preliminaries will have been completed and the stage set for a new round of tariff negotiations--particularly with the EEC--under the sweeping new authority granted to the President in the Trade Expansion Act of 1962. The common agricultural policy of the EEC will have been in operation long enough to provide some basis for quantitative measure of its effects on trade with third countries (including the U. S.). It is expected that negotiations for U. K. membership in the EEC will have--if not concluded--progressed to the point where the effects of this development on the U. S. export market may also be measured.

The foregoing developments are expected, among other things, to focus increased attention on international commodity arrangements as a means of dealing with world trade problems. Reimborcing this expectation are the following:

a. President Kennedy reversed the U. S. historic position of hostility toward internation commodity arrangements in his Alliance for Progress speech of March 31, 1961. At that time, he affirmed the willingness of the U. S. Government to cooperate in a serious case-by-case examination of commodity programs.

b. Inability of GATT to develop acceptable rules for regulating trade in temperate zone agricultural products. Result: special study groups created to make recommendations.

c. Tropical products. Concern with effects of unstable markets on economies of developing countries.

d. Temperate zone products. Emergence of the Common Market and the possibility of U. K.'s accession.

The most critical trade issues involved in these developments have to do with the maintenance of trade in temperate zone agricultural products. Attention is focused on commodity solutions to these problems.

e. FAO. Intensifying studies of commodity problems.

f. UN agencies have interested themselves in measures for stabilizing world commodity prices.

In the context of participation in the Trade Agreements Program, the problems of regional economic integration, the elimination of trade barriers, and representation of U. S. agricultural interests in international trade agreement negotiations bulk large in trade policy work of the FAS.

Of particular interest and concern to us is the highly protectionistic nature of the Common Agricultural Policy as it now appears to be developing. The significance is greatly enhanced by the possible expansion of the EEC to include most of Western Europe. Greece is already a member by association; the U. K. is actively negotiating for full membership; Denmark, Norway and Ireland have tendered formal applications for membership; and Sweden, Switzerland and Austria are exploring association possibilities.

The countries in these regions are grouping in the common interest of expanding and achieving higher standards of living. This in turn means expanding markets, provided these groups adopt policies which afford a minimum of interference with the natural flow of goods across international borders. In order for the U. S. Government to effectively and favorably influence their agricultural policies as related to trade of these regional economic groupings, it is essential that the Department of Agriculture develop and maintain timely, accurate and complete economic intelligence on developments in these important trading areas.

The problems of residual import restrictions remains with us despite the present atmosphere of improved economic activity and the favorable foreign exchange holdings in the more industrialized countries. Import controls, both discriminatory and nondiscriminatory, are still maintained on a significant and wide range of agricultural commodities by a large number of countries. The burden of ferreting out these

restrictions, preparing background material and follow-up activity falls mainly on the Department of Agriculture, specifically the Trade Policy Division of FAS. The work will intensify as the U. S. trading relationship receives added emphasis.

The provisions of the recently enacted Trade Expansion Act of 1962 contain new and broader concepts in trade adjustment assistance and in tariff negotiating authority, including provisions to negotiate in broad tariff categories and, in certain instances, bring duties down to zero. Agriculture's interest in this program is vital as the tariff negotiating authority requested represents a significant departure from past practice in both flexibility and extent.

The strengthening of the International Affairs Staff is essential if the Department is to deal effectively with the problems of regional economic integration and other trade policy developments, to pursue actively the elimination of trade barriers using increased bargaining power available in the new Trade Bill, and to serve adequately U. S. agricultural interests in international trade agreement negotiations. At stake is the Nation's position in the most important commercial markets for U. S. farm products.

(b) International Organizations: The increase is required in meeting responsibilities in connection with forums where international problems involving agriculture are being considered. During the past five years there has been an increase of 78% in the Division's work in planning and arranging for the USDA's participation in international conferences and meetings. The Department participated in 100 meetings in 1957 while in 1961 the total was 178.

The scope and functions of the various international organizations has increased during the five-year period. The FAO budget alone has increased over 60% for the 1962-63 biennium as compared with the 1960-61 biennium. This increases the level of work of the Division.

The number of U. S. position papers for the FAO Conference and meetings, for which the Division provided leadership in preparation and coordination, increased over 30% for the five-year period.

Distribution of FAO publications and documents, for which the Division is responsible, increased from 17,808 to 34,226, or 47.9% for the five-year period.

It is estimated that the number of official communications, correspondence, and statistical questionnaires increased more than 75% during the five-year period.

(2) An increase of $412,000 to provide for 3 additional attache posts in areas important to U.S. agriculture, to station 1 marketing specialist at a selected overseas marketing and distribution center, and enable selected existing posts to meet increased workload caused by recent international agricultural developments.

Need for Increase: The Foreign Agricultural Service depends heavily upon its world-wide Agricultural Attache Service in fulfilling its responsibilities to American agriculture for helping gain access to foreign markets, for assisting with programs to move U.S. products into foreign trade channels and for providing timely policy, price,supply and demand information concerning agricultural trade in foreign markets. Stationed at capitol centers in principal agricultural production or market areas, the Attaches comprise the foreign arm of the U.S. Department of Agriculture, charged with responsibility of promoting the interests of American agriculture in the principal countries outside the United States.

The services performed by the Attaches are diverse and are designed to deal with the present and foreseeable needs, problems and interests of U.S. agriculture in the area. In general, they include actively promoting commercial markets for American farm products, providing basic information for agricultural market promotion and policy determinations through a world-wide system of market intelligence and economic reporting, furnishing on-the-spot assistance to American exporters seeking new outlets, helping guide various programs designed to utilize America's abundant agriculture to advance the welfare of needy nations and promote world peace, assisting cooperating agricultural trade organizations in developing and carrying out market development programs abroad.

As agricultural adviser to the Chief of the Diplomatic Mission and member of the Country Team, the Agricultural Attache plays an important role in making American agriculture's contribution most effective in support of U.S. foreign policy through Food for Peace, relief to distressed and disaster areas, and other foreign economic assistance programs.

Currently, 61 Agricultural Attache posts are maintained in U. S. Embassies and Consulates. As presently staffed, 42 posts are one man offices, 11 posts have one Assistant Attache, 6 have two Assistant Attaches, and 2 where U. S. trade centers have been established have three Assistant Attaches. In contrast, for most of the newly emerged free countries in Africa, an individual Attache is required to cover several countries by himself.

American interest and participation in international agricultural affairs continues to expand rapidly which greatly increases the dependence upon Attaches for assistance and services such as furtherance of foreign trade, Food for Peace negotiations and operations, removal of trade barriers, common market relationships, market development projects, trade fairs, international trade agreements and the like. Increased responsibilities in respect to foreign aid undertakings of AID and Alliance for Progress are already in prospect. As these additional responsibilities are placed upon Agriculture's overseas representatives, they must be equipped with staff and facilities to fully represent the interest of the United States.

To meet these increasing responsibilities of world leadership and operation in support of an expanding and dynamic forward looking program in agricultural affairs, additional funds are requested for fiscal year 1964, for the following purposes:

A. To establish 3 additional Attache posts in countries of major agricultural importance not covered, or inadequately covered, by Attache services.

B. To station a qualified marketing specialist at a selected overseas marketing and distribution center, to further intensify market development and trade promotion activities, provide current spot market news and price information and maintain close contact with traders, importers, and processors.

C. To strengthen certain heavily burdened posts to meet continually expanding workloads by the assignment of a Jr. Agricultural Assistant or a local clerical or professional employee as necessary.

Final determination as to location and of the establishment of new posts and assignment of personnel abroad will be determined on the basis of careful reviews and consultation by FAS, as to pressing needs for representation in strategic areas, as well as to the opportunities offered the Attache to render effective service in view of the available facilities and the current economic and political climate.

The following list is illustrative of areas where increased representation on behalf of American agriculture is especially warranted and from which future assignments are expected to be made:

Attache Posts:

Oslo ..... (Norway large dollar market, presently covered by periodic visists of Attache stationed at Copenhagen.)

Dakar ..... (Regional office to cover countries of Senegal, Mali, Mauritania, Spanish Sahara, Portuguese Guinea, Gambia - Presently only partically covered by infrequent visit by Attache stationed at Monrovia.)

Seoul ..... (Korea - strategic area; $285 million P.L. 480; AID; - no Attache coverage.)

Yaounde ..... (Regional office to cover countries of Cameroun, Chad, Gabon, Congo (Brazzaville), and Central African Republic - currently partially covered by infrequent visits by Attache at Leopoldville.)

Paris ..... (U.S. Mission - representation for International Affairs - OECD, etc.)

Saigon ..... (Regional - Cambodia, Vietnam, Laos -- no agricultural coverage.)

Tunis or Algeria ..... (Regional office to include Tunisia, Algeria, Libya.)

Taipei ..... (Formosa - Coordination agricultural activities, P.L. 480, AID -- No current agricultural coverage.)

Helsinki ..... (Finland -- presently covered by visits by Attache at Stockholm.)

Market Specialists or Assistant Attaches -- For Market Promotion and Development:

Hongkong
Lagos
Kingston
Munich/Frankfurt
Barcelona

(3) A decrease of $10,715 under the activity Export Programs composed of:

(a) An increase of $9,285 to expand and extend market development projects in dollar market areas.

Need for Increase: In the seven years since the Department's special market development projects were launched, considerable progress has been made. Established trade groups have been strengthened and new ones organized. The program is still relatively young, and is growing fast. It has made a significant contribution to the record U. S. agricultural exports in recent years. The amount proposed in the 1964 budget will permit continuation of the intensive drive to develop stronger programs in those regions where U. S. exports are significant and initiate programs to develop markets for American farm products in areas where at present little progress is being made.

Through market development projects FAS attempts to maintain and expand existing foreign markets or to develop entirely new foreign markets for United States agricultural commodities. To the extent practicable, the Foreign Agricultural Service enters into cooperative agreements with U. S. producer and trade groups for the operation of these projects. These groups, in turn, have cooperative agreements with their counterparts in foreign countries. These cooperating groups make substantial contributions to the program. Where trade groups are unable or unwilling to undertake a needed project, it may be carried out directly by the Foreign Agricultural Service. Trade fairs and trade centers are examples of this, but they, too, are carried out in close cooperation with the trade.

The description of the Market Development program which follows will briefly reflect each of the commodities and functions included in this broad program.

a. Cotton market development overseas is centered upon a broad program of market study, sales promotion, and general publicity. Its objective is to increase the consumption of cotton products in the foreign countries that make up most of the export market for United States cotton.

The U. S. cooperator has done an excellent job in introducing techniques abroad that have been so successful in the United States. The international program has now reached the point where foreign cooperators are introducing promotion techniques that have never been used even in the U. S. Moreover, as a result of the program, foreign private firms are now spending more for cotton promotion and advertising than they formerly spent.

Existing cooperative programs with local cotton industry groups in 19 countries will be continued in fiscal year 1964, and 4 new country projects will be established.

b. Dairy and Poultry cooperative promotion activities consist principally of efforts to increase consumption of poultry and dairy products, developing new products using U. S. dry milk solids, and the supplying of livestock specialists to promote sale of breeding cattle.

Poultry. Poultry promotion has been highly successful in several countries, particularly in Germany, Switzerland and Netherlands. The program has been aimed at both the consumer and the trade. Techniques used include studies of consumer preferences, event promotion, in-store demonstrations, participation in trade fairs, and some advertising.

The advent of the Common Market in an area which has taken a large share of the expanded U. S. poultry export necessitates additional promotional expenses. Additional funds are needed in fiscal year 1964 for this purpose in West Germany, Italy and the Netherlands. Additional markets in other areas, particularly Japan, will also be given increasing emphasis.

Dairy. Project activities to increase dairy product consumption usually center around recombining operations, including trade fair demonstrations and research on new products. New techniques are also being explored. The additional funds requested will permit expanded promotion in certain areas of consumption of dairy products recombined from U.S. nonfat dry milk and anhydrous milk fat and will also permit promotion of processed cheese manufactured from U.S. natural cheddar.

c. Fats and Oils project activities are carried out by an intensive marketing promotion by FAS and cooperating trade groups under three types of activities--marketing assistance, market promotion and development, and market analysis.

U.S. exports of soybean and soybean products have tripled since 1955 and are expected to continue upward, aided substantially by the establishment of a world-wide market promotion organization under this cooperative program. Exports of U.S. soybean oil and soybean proteins have increased as a result of the increased consumer acceptance abroad. Also expansion of cash markets for U.S. soybeans and soybean products is taking place in many countries.

Activities for promotion of soybeans and soybean products are being intensified. An international office directs extensive program and development work in 16 countries and limited programs in 40 additional countries.

For fiscal year 1964, additional funds will be needed to continue and in some cases expand operations in 17 countries with established programs and step up the international operations market promotion in limited activity countries. In addition, funds will be utilized to initiate operations in at least 2 countries not having established country programs.

d. Fruit. FAS has cooperative projects underway with 7 U.S. fruit industry groups in 12 countries. Commodities being promoted include prunes, citrus fruit from Florida and from California-Arizona, raisins, other dried fruit, cherries and cranberries.

These activities are centered in Western Europe and Japan. With the growth of the European Common Market it becomes more important to promote U.S. fruit in overseas markets to help counteract the effect of shifting competitive forces. Also, it is likely that non-European markets such as Japan will increase in importance as the full effect of the EEC tariff wall comes to bear on U.S. export trade. Much of the competition U.S. fruit encounters in Europe will be operation behind the protection of this wall in a favored position. The 1964 request will permit an accleration in the annual rate of several projects. In addition, small projects providing for market surveys, trade team visits, and similar single-time activity are included.

e. Grain and Feed market development activities for grain and feed products are being carried out by FAS in cooperation with several U.S. trade associations. These offices service the grain trade, millers, bakers, importers, retailers, and other users and purchasers of grain products.

The Wheat market development program played an important part in the all-time high exports of 662 million bushels of wheat in 1960-61 with exports for the 1961-1962 period now estimated at 685 million bushels. Additional funds are needed to expand the program in the European area. Funds are also needed to initiate a broad program in Africa and the Middle East where rising standards of living and a corresponding increase in the per capita consumption of wheat foods indicate that in this area there is a large potential market.

The Feed grains market development program is currently operating in 21 countries. The pattern of funding is such that fiscal year 1964 funds will be needed only in Japan. Activities in other countries will already be funded until fiscal year 1965. Japan represents the greatest potential expanding market for U.S. feed grains in the world at this time. To stimulate the development of the rapidly growing Japanese livestock program, funds will be used to provide technical information on feeds and feeding including feeding trials and demonstrations, and for a broad program of market study. Some assistance will also be provided with marketing of livestock products.

Rice. The U.S. trade is cooperating with FAS through market promotion to increase per capita consumption of rice. Per capita consumption of rice in Europe and Africa is on the increase. Major gains have recently been made and further gains are expected in sales to the United Kingdom and Switzerland as are certain countries in Africa. The cooperative program has been an important factor in developing new outlets for U.S. rice previously exported to Cuba; and is at the present time, through promotional activities, creating a strong consumer preference for U.S. quality rice in the European countries.

f. Livestock and Meat Products. Tallow. Current annual tallow exports are about 1.8 billion pounds, which represents about 50 percent of U.S. production. Promotion and technical know-how will be utilized to show our foreign customers the advantages of U.S. tallow. Project activities in Western Europe will be expanded to encompass tallow promotion as an additive in livestock feeds, as well as an ingredient in soap. A project is also planned for promotion and development of tallow utilization in livestock feed in Japan. Activities are proposed to promote soap consumption in many areas of the world, particularly South America and Japan. Preliminary studies are also proposed to determine if soap promotional programs would be desirable in selected countries of Africa and Asia.

Lard. In order to maintain and expand the U. K. outlet, a $47 million market for U.S. lard exports annually, extensive promotion is necessary. This is a continuing cooperative project with FAS, the U. S. and U. K. lard trade groups cooperating in such activities. A small amount of funds is also included for a study of other lard markets in Europe, South America and the Far East.

Hides and Skins. Exports of hides and skins have expanded annually and are now around $90 million. Exports of leather and leather products also total about $66 million annually. Promotion is planned in Japan, the leading U.S. hide export market, and Western Europe, a hide and leather market. A small sum is included for market studies in Mexico and Canada also important buyers of hides and leather. The Japanese project is promotion aimed at increasing consumption of leather goods, such as shoes and accessories. The Western Europe projects are for leather promotion through participation in trade fairs and by providing technical advice to European tanners on the processing of U.S. heavy cattle hides.

Other activities. Other activities include the promotion of breeding livestock, variety meats, and meat and meat products. The projects are small, varied and low cost. The breeding livestock projects include beef cattle, sheep and swine in Latin America, Africa, Far East, Spain and Portugal. A market study on mohair is planned for the U. K. and Western Europe. Variety meat exports have a current annual value of about $27 million. Small projects are directed toward continued trade contacts to promote sales and keep abreast of market changes and trade barriers in importing countries.

g. Tobacco. FAS and the U.S. trade associations cooperate to promote U.S. tobacco. Fiscal year 1964 funds are needed in France, Japan, Netherlands, Spain and Finland. France promotion has been focused on American-type cigarettes containing U.S. tobacco.

Exports of U.S. tobacco to Japan reached 24.5 million pounds in 1961. When FAS Cooperative project was initiated, in 1955, Japanese factory consumption of U.S. leaf was only 5.0 million pounds per year. In 1962, use by the Japan Monopoly Corporation will reach 20 million pounds compared with 10.6 million and 8.8 million pounds in 1959 and 1958 respectively. This trend -- expected to continue upward -- is due largely to the Market Development Program.

The Netherlands long an important market for U.S. tobacco has an average annual import in excess of 25 million pounds during recent years. The U.S. percentage of the total annual Netherlands import has tended to drop since 1955, in the face of increasing competition from cheap foreign substitute tobaccos. As the Netherlands is an important country in the framework of the European Common Market, everything possible should be done to maintain and expand the Dutch market for U.S. leaf tobacco. The proposed program in the Netherlands will promote all types of U.S. tobacco products.

Cigarette consumption is increasing rapidly in Spain and U.S. cigarettes are popular. About 50 million pounds or half the total requirements of tobaccos are imported by Spain annually. This program began in fiscal year 1962 when a new brand of cigarette, using U.S. leaf was demonstrated and sampled at the Madrid Trade Fair. It is anticipated that this initial project will develop into a more intense promotional campaign for products using U.S. leaf.

Finland is the fastest growing market for U.S. tobacco in Europe. In 1961 it imported 16 million pounds of tobacco of which 9.4 million pounds came from the United States.

h. Trade Fairs and Trade Centers. U.S. exhibits at international exhibitions continue to play a vital role in the promotion abroad of U.S. food and agricultural products. These exhibits offer a unique, tailor-made "show-case" for displaying, demonstrating, selling, and otherwise encouraging the promotion and use of such products. Moreover, these exhibits are usually attended by hundreds of thousands of members of the public; also, by prominent

members of the trade, foreign governments, and others who can influence the import of American food and agricultural products into countries abroad. In 1962 U.S. exhibits in Europe, emphasis was on direct retail selling to the public of American food products. This program was successful and will be expanded in 1963 calendar year efforts.

A newer development in overseas agricultural food and product promotion is the establishment of U.S. trade centers. Trade centers have the same basic function as exhibits, except that they provide special facilities for servicing interested overseas importers of U.S. products on a year-around basis.

A modest increase is planned in 1964 for overseas operations of the International Trade Fair Division to permit continued expansion of these effective market promotional activities.

i. Other Projects and Activities. FAS undertakes projects directly in cases where it is impracticable to operate the project on a cooperative basis through a non-governmental trade group. Whenever the work can be done more effectively or more economically, the projects are carried out through contracts with U.S. or foreign organizations. FAS projects for economic research are carried out through Economic Research Service.

Foreign Supply and Demand Studies. Studies in depth of foreign supply and demand in several countries, including the European Common Market, will be done under contract to assess the future import demand for, and export availability of, agricultural products. Estimates will be made in Washington for countries not included in the studies.

Economic projections of future supply, demand, and trade of selected farm commodities will be run by country, region, and for the world for 1965, 1970 and 1975. They will take into account applicable economic changes; changes in the quantities consumed resulting from changes in the marketing structure and facilities, population growth and shifts, levels of economic activity and personal income; and effects on production, consumption, or trade of governmental regulations of production, tariffs, and control of marketing.

Foreign Market Studies will be carried on to evaluate, strengthen and broaden the coverage of urgently needed agricultural statistics in 5 countries and in the Eastern Mediterranean and Far East for the purpose of facilitating market development activities abroad. Also special studies are needed to answer a variety of questions encountered in day-to-day planning and operations of market development projects in selected countries.

Evaluation and Analysis. Analyses of P.L. 480, Title I, Sales and related P.L. 480 Export programs are planned for 5 countries in fiscal year 1964--Italy, Chile, Peru, Tunisia and Portugal. These

analyses together with those now underway are needed by the Executive and Legislative Branches in assessing the effects of P.L. 480 on the recipient countries measured against its goals.

Evaluation of Market Development Projects in three commodities is underway for fiscal year 1963 and three more are planned in 1964. Also planned in 1964 are country-wide evaluations in two countries and trade fair and trade center evaluations in two countries.

Studies on Foreign Economic Development and Its Relationship to U.S. Trade Prospects will be made in Venezuela, Nigeria and Turkey. The planned studies would provide information and would be of direct value to the administration of our export programs and market development.

(b) A reduction of $20,000 to reflect estimated savings due to the installation of a centralized data processing operation (MODE) for personnel and payroll data. (An explanation of this reduction is included in the Preface to these Explanatory Notes in Volume 1.)

(4) An increase of $81,500 to meet demands in connection with the common market, increasing international commodity agreements, and other marketing developments.

Need for Increase: The market expansion in problems related to international trade in farm products is increasing the demand for more detailed and more current trade and price information from FAS commodity divisions. The adoption of a common agricultural policy by the European Economic Community (EEC) is greatly increasing the need for analysis of their policies in order to determine whether or not discrimination is occurring against the U.S. trade, and to inform U.S. exporters on the steps to take in order to meet new regulations. This new policy is also influencing the trade of U.S. competitors in this area causing them to adopt new export programs and attempt measures to increase their trade with other areas. If and when the United Kingdom joins the EEC further disruptions to established trade patterns will occur which will need to be watched closely. Increasing international commodity agreements, the New U.S. Sugar Agreement and Long-Term Programming of Food for Peace Agreements under P.L. 480 are additional factors expanding the demands for more extensive information on world production and trade for agricultural products.

Because of these increasing activities the staff of the commodity divisions find it impossible to collect and analyze all the needed information, keep the trade informed of new developments and make proper presentations to foreign governments. In reviewing the 1964 budget requirements these added pressures have been considered and estimates made of the increase in staff needed to perform adequately the services required from FAS.

The Common Market - This area is our largest dollar market accounting for one-third of our dollar sales. If the United Kingdom and other countries, which have made application are accepted into the area, over 50% of our dollar trade will be involved.

The regulations under which trade is conducted are changing rapidly for a number of major commodities and will continue to change until 1970 when there will be one common external tariff or system of tariffs for each commodity. During the transition period, while the EEC is moving toward a common agreement policy, each member country will continue to adjust its own national system of tariffs and policies to conform with the rules laid down by the EEC. To follow these regulations, inform the trade and to make protestations where there are apparent discriminations against the U.S. farm products, will greatly increase the work of the commodity divisions particularly those concerned with wheat, feed grains, rice and poultry. All phases of commodity work will need to be expanded as these commodities are being produced in the EEC area in competition with U.S. products, and all countries are attempting to adopt regulations which will make expansion of their production advantageous.

International Commodity Agreements - The rapid expansion in world production of several commodities are creating surpluses, and international agreements involving both importing and exporting countries are being drawn up in an effort to stabilize world trade and prices and reduce trade barriers. In order to participate in these agreements it is necessary for the United States to follow closely the activities of both importing and exporting members and additional information on stocks and prices must be collected, if the United States is to protect its consumers and determine price and production policies with confidence. Agreements recently negotiated or in negotiation have greatly increased the demand upon the services of the Sugar and Tropical Products Division and the Grain Division.

Long-Term Programing for P.L. 480 - The programing of P.L. 480 agreements over a several-year period has greatly increased the necessity of the commodity divisions to make long-term projections of the probable demand and supply conditions for all of the agricultural commodities entering into U.S. trade programs. This has greatly increased the need for analysis of probable supply and demand conditions in both importing and exporting countries.

(5) An increase of $53,000 to strengthen commodity price and quality review.

Need for Increase: Price and Quality Review - Responsibilities involving price and quality review for commodities shipped under Titles I and IV of P.L. 480 will be substantially increased during the fiscal year. This increase will be due to: (1) additional transactions requiring such reviews (Primarily from anticipated increases in Title IV agreements), (2) centralization of price review operational functions in

the Office of the General Sales Manager previously performed in several other locations, and (3) procedural changes requiring an immediate examination of transactions at the time of sale in order that exporter receives timely notification of approvals or disapprovals.

(6) An increase of $394,500 consisting of $158,300 to provide for full-year costs of the first step of the pay increase pursuant to P.L. 87-793 and $236,200 for fiscal year 1964 costs of the additional increase effective January 5, 1964. (An overall explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1.)

STATUS OF PROGRAM

Current Activities: Current information on foreign agricultural production, markets, policies and competition are gathered, analyzed, interpreted and disseminated to United States farmers, business and Government. This information is made available, in person and through publications, wherever decisions are made on important foreign economic and other problems so that the interests and problems of the United States farmers may be taken into account in making those decisions.

The expansion and stabilization of world trade, particularly in agricultural products, is actively encouraged through the removal of barriers to trade, the study of foreign competition with American products, the analysis of market situations affecting the sale of agricultural commodities throughout the world, and making the information obtained available to the U.S. farmers, processors, exporters and other interested groups.

United States agricultural interests are represented and their position presented in the development of international agreements.

Agricultural attaches are stationed in 61 posts throughout the world to represent U.S. agriculture at those posts. The attaches work includes a comprehensive system of reporting to meet the needs of U. S. agriculture, to act as the voice of American Agriculture at the posts, and to take necessary action in the development of foreign markets for U.S. agricultural products.

A broad program is carried out for the development of markets abroad for United States agricultural products in surplus or potential surplus supply. Export programs, including those under the Agricultural Trade Development and Assistance Act, Public Law 480, and related authorizations, as well as import programs and controls are administered by the Service.

The State Department is reimbursed by the Foreign Agricultural Service (FAS) for administrative and other support costs furnished overseas at the attache posts. It is estimated that such costs will amount to $1,175,000 in 1964.

Selected Examples of Recent Progress:

SUMMARY OF EXPORTS

1. U. S. Agricultural Exports Set Value Record in Fiscal Year 1962. As shown in the following table, U. S. agricultural exports totaled $5,141 million in 1962 (Chart No.1). Export volume equalled the all-time high in 1961. The export picture in 1961-62 was dominated by major shifts in feed grains, wheat and cotton. Feed grains increased by $163 million and wheat by $133 million while cotton shipments declined by $274 million. Soybeans, fruits, cottonseed and soybean oils, poultry meat, tobacco and vegetables increased moderately. Rice, variety meats, animal fats, hides and skins and dairy products showed little or no change.

U. S. agricultural exports, fiscal years, 1961 and 1962

Commodity	1961	1962	Percent Change
	$ Million		
Cotton	946	672	-29
Grains and preparations a/	1,874	2,172	+16
Tobacco unmanufactured	385	407	+ 6
Vegetable oils, oilseeds and products a/	597	636	+ 6
Fruits and preparations	254	282	+11
Vegetables and preparations a/	127	136	+ 7
Livestock products a/	613	627	+ 2
Other	150	209	+39
Total a/	4,946	5,141	+ 4

a/ Includes private relief, mostly CCC donations to private welfare agencies for overseas distribution.

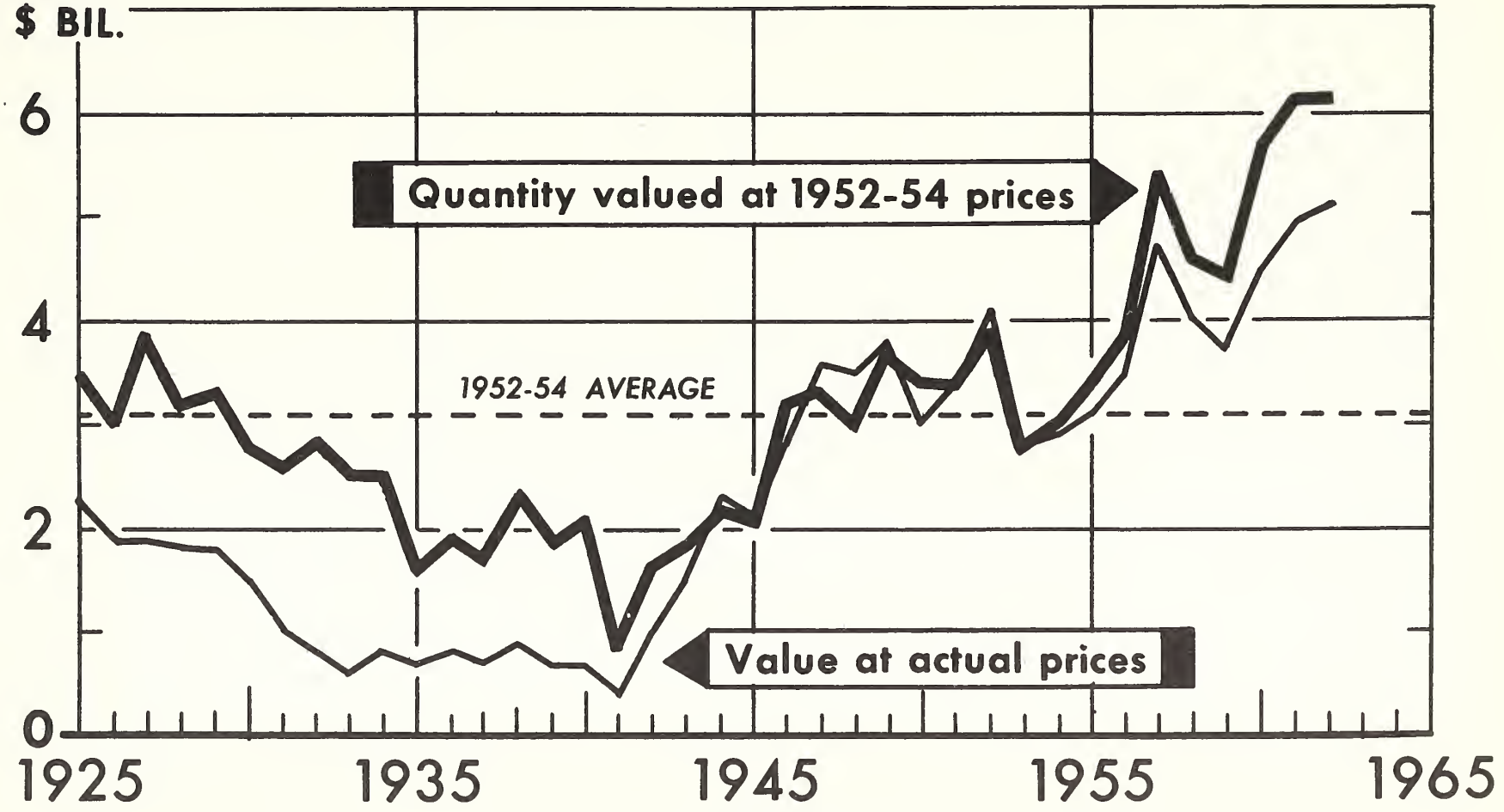
2. Dollar Sales Increase. About 69 percent of U. S. exports in 1962 were sales for dollars; these totaled $3.5 billion, compared with $3.4 billion in the previous year (Chart No.2). Dollar sales included, in addition to unassisted commercial sales, shipments of some commodities with Government assistance in the form of (1) credits for relatively short periods, (2) sales of Government-owned commodities at less than domestic prices, and (3) export payments-in-cash or in-kind. The principal gain in dollar sales occurred in feed grains which increased by one-fourth in value. The other dollar gainers included wheat, tobacco, soybeans, fruits and animal products. During this period, however, there was a substantial decline in dollar exports of cotton which decreased by one-third.

The remaining 30 percent of exports moved under Public Law 480 (The Agricultural Trade Development and Assistance Act of 1954, as Amended) and Public Law 665 (The Mutual Security Act of 1954, as Amended). Shipments under these programs totaled $1.6 billion compared with $1.5 billion in the previous year.

3. Common Market Major Outlet for Dollar Sales. In 1962, as a group the six members of the Common Market bought about $1.2 billion of U. S. agricultural commodities out of total U. S. dollar exports of $3.5 billion. Indicating this is a rapidly growing market, our agricultural sales to the Six in fiscal year 1962 were 35 percent greater than in fiscal 1958 (Chart No.3). During the 1958-62 period, our feed grain and soybean shipments to the Common Market have more than doubled. From 10 million pounds in calendar year 1958, our shipments of poultry, mainly to West Germany and the Netherlands, rose to 160 million pounds in calendar year 1961.

4. Production from One out of Five Acres was Exported. The ratio of agricultural exports to cash receipts from farm marketing, which has been increasing in recent years, reached 15 percent in fiscal year 1962. This represented the output of approximately 60 million acres of U. S.

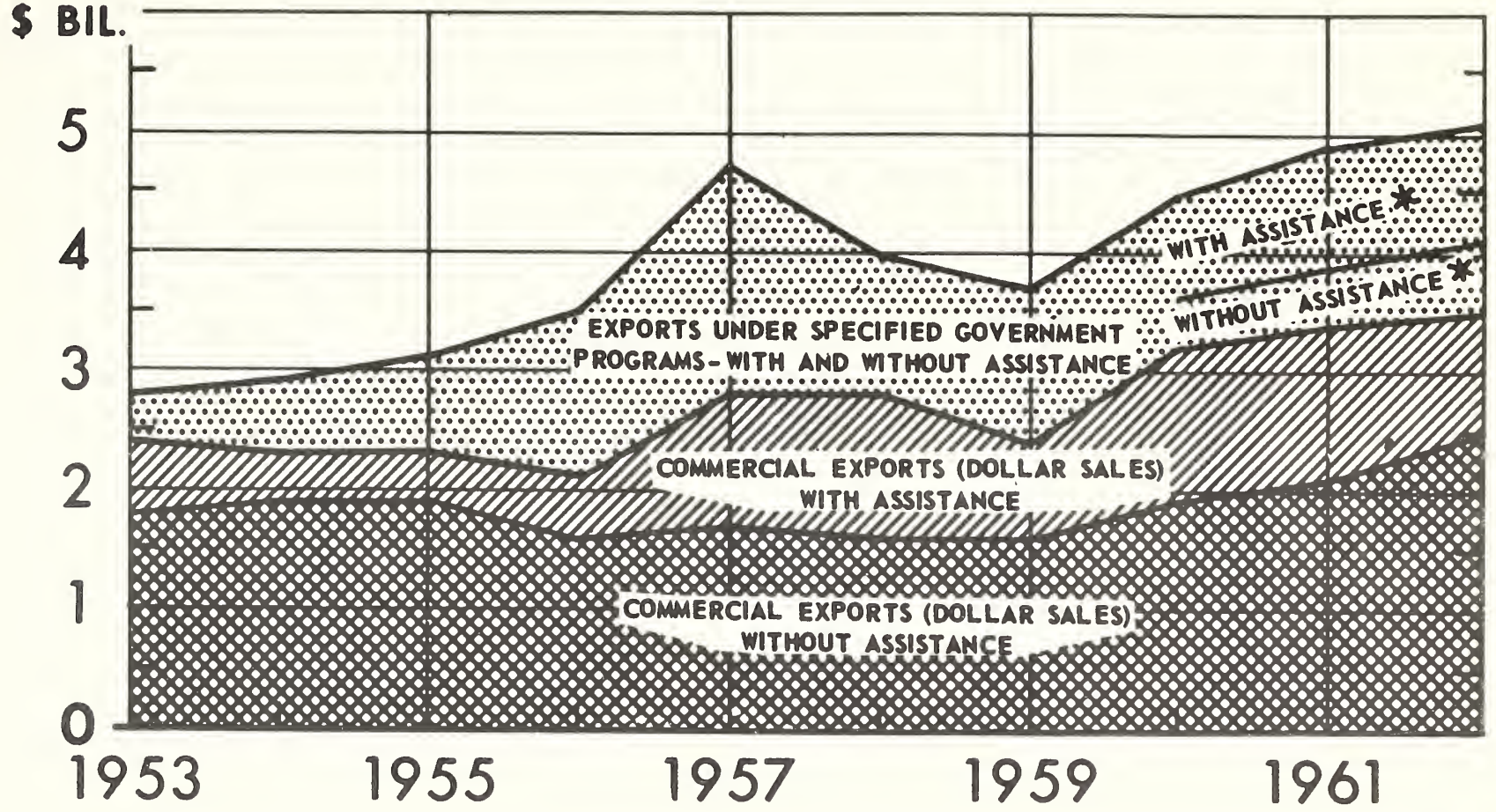
U. S. Farm Exports Set Value Record; Volume Holds at Peak Level in 1961-62



YEAR ENDING JUNE 30.

U. S. DEPARTMENT OF AGRICULTURE (CHART NO. 1) NEG. ERS 417-62 (9) ECONOMIC RESEARCH SERVICE

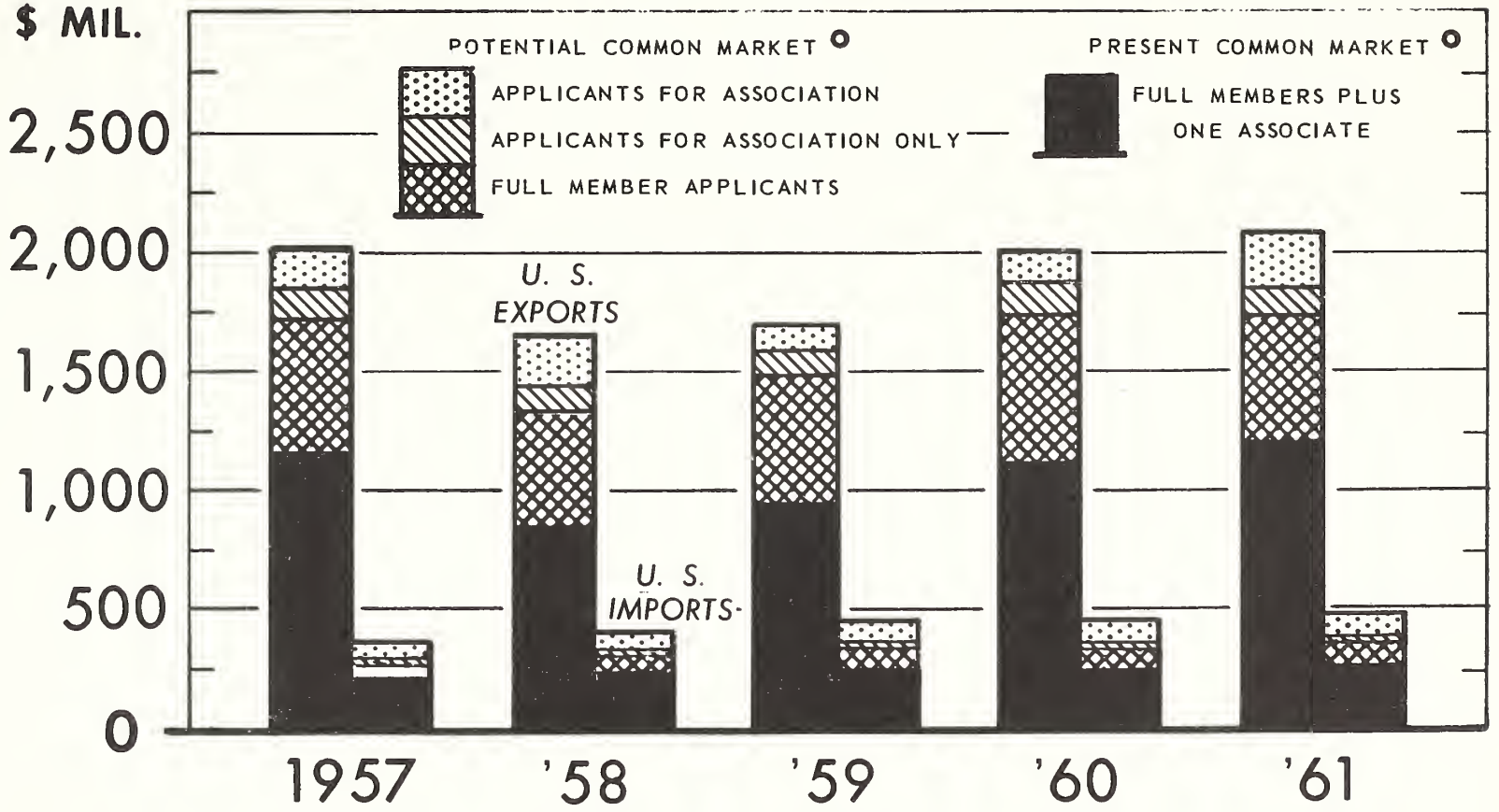
Dollar Sales Account for 69 % of Total Farm Exports in 1961-62



YEAR ENDING JUNE 30. * *AVAILABLE ONLY FOR 1960 - 1962.*

U. S. DEPARTMENT OF AGRICULTURE (CHART NO. 2) NEG. ERS 440 - 62 (8) ECONOMIC RESEARCH SERVICE

U. S. Agricultural Trade With Present and Potential Members of EEC



EUROPEAN ECONOMIC COMMUNITY.

U. S. DEPARTMENT OF AGRICULTURE (CHART NO. 3) NEG. ERS 1305-62 (8) ECONOMIC RESEARCH SERVICE

cropland. Exports in 1962 required financing, inland transportation, storage, and ocean transportation for 45 million long tons of cargo--enough farm products to fill over 1 million freight cars or 4,500 cargo ships. In moving these exports, an average of 12 ships weighed anchor each day.

5. Export Market Benefits Many U. S. Farmers. U. S. exports of some farm commodities comprise important segments of domestic output. Selected commodities show export shares in fiscal year 1962 ranging from 7% for flaxseed to 58% for wheat, as indicated in the following table.

U. S. Agricultural Exports in Fiscal Year 1962 Compared with 1961 Production

Commodity	Unit	Production	Exports	Percent of Production Exported
		Million Units		Percent
Wheat, including flour	bu.	1,234.7	716.5	58
Dried edible peas	cwt.	3.5	2.0	57
Rice(milled basis)	cwt.	37.5	20.4	54
Hops	lb.	35.5	18.3	52
Tallow	lb.	3,666.0	1,631.5	44
Nonfat Dry Milk	lb.	2,050.0	809.2	39
Cotton	bale	14.3	4.8	34
Soybeans & Oil	bu.	693.0	236.6	34
Dried prunes	lb.	280.3	85.8	31
Tobacco (farm sales weight)	lb.	2,022.8	584.5	29
Raisins	lb.	456.0	127.9	28
Rye, grain	bu.	27.3	7.5	27
Barley, grain	bu.	393.4	81.7	21
Cottonseed & Oil	ton	5.9	1.1	19
Grain sorghums	bu.	482.6	85.8	18
Dried whole milk	lb.	85.0	14.3	17
Lard	lb.	2,525.0	432.9	17
Dry edible beans	cwt.	20.0	1.7	8
Flaxseed	bu.	21.9	1.5	7

6. Shipments of Wheat and Grain Equivalent of Flour Increase: Exports totaled a record 716 million bushels in 1962 compared with 661 million a year ago (Chart No.4). Increases occurred in both commercial sales for dollars and shipments under Government-financed programs. Shipments amounting to over 7 million bushels moved for the first time under Title IV (long-term dollar credit sales) of Public Law 480. Increases occurred in foreign currency sales under Title I, barter transactions under Title III and in donations under Titles II and III of Public Law 480. Total wheat and flour exports to Brazil, the Netherlands, Yugoslavia, Turkey, and Chile increased substantially. Major reductions were in exports to Italy, Poland, and India.

7. Soybean Exports Set New Record. Soybean exports in 1962 totaled 147 million bushels, breaking the previous record of 143 million in 1961. Higher prices advanced value by 8 percent. Exports were relatively

slow during the first part of 1962 because of limited supplies available for export and the anticipation of lower priced beans from the record 1961 harvest. In recent years, many of the industralized countries purchased soybeans in lieu of vegetable oils in order to obtain by-product protein meal for livestock feeding. Other developments that have tended to encourage exports of soybeans in recent years included the record level of U. S. production and relatively small quantities of beans available for export from Communist China. Also, foreign exportable supplies have not been able to keep pace with demand. U. S. exports increased from about 20 percent of world trade in 1950-54 to 30 percent in 1958. It is estimated that the U. S. share will rise to about 33 percent in 1962.

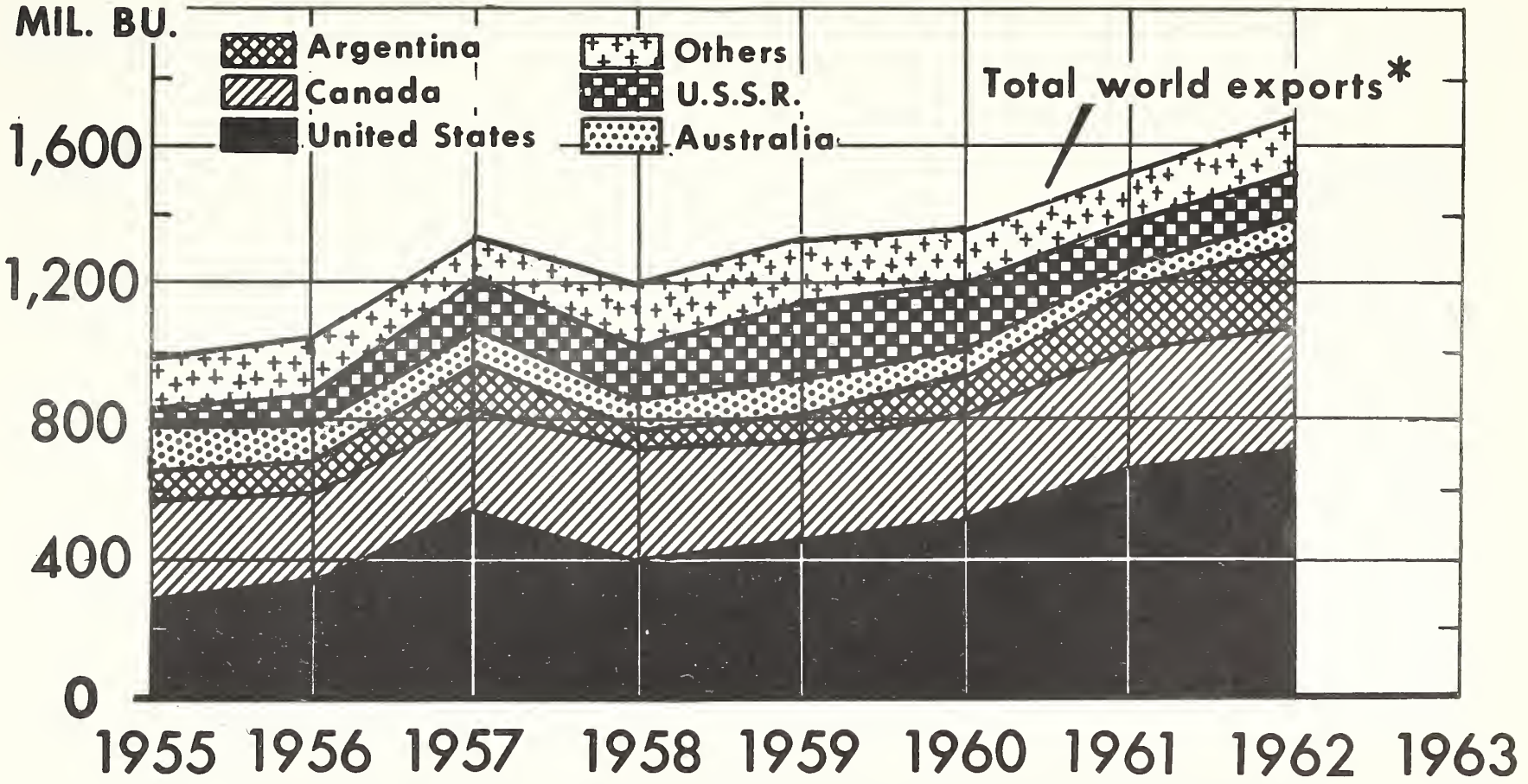
8. Exports of Cottonseed and Soybean Oils Reaches New Highs. Including Title III, P. L. 480 donations, sales totaled 1,458 million pounds in fiscal year 1962, 14 percent above actual exports of 1,276 million a year previous. During 1962 about 60 percent of the vegetable oil exports moved under specified Government programs, particularly Titles 1 and III of Public Law 480.

9. Feed Grain Exports set New Record. Excluding products, sales in 1962 totaled 14 million metric tons, a new record compared with 11 million a year earlier. The gain was brought about largely by heavy corn exports since January. Exports of feed grains prior to that month were below the levels of a year earlier. Exports of oats, grain sorghums, and barley were smaller in 1961-62 compared with the previous year. Shipments to Canada, West Germany, the United Kingdom, Japan, and UAR-Egypt gained substantially. More corn was shipped to Canada to supplement reduced feed supplies resulting from the 1961 drought. The United Kingdom substituted corn imports for other grains in 1961-62. Smaller exportable supplies in other major producing countries also encourage purchases from the United States. Exports of feed grains to Japan and Western Europe were stimulated by expanding livestock production and continued rapid industrial advances there. Cattle numbers in Western Europe rose to 85 million head in 1961 from an average of 73 million in 1951-55. Annual increases averaged 3 percent in the past 3 years. Cattle numbers in Japan increased by 3.4 million head, or 19 percent, since 1951-55. In recent years annual increases in Japan averaged 6 percent.

10. Volume of Tobacco Exports sets New Record. Exports of unmanufactured tobacco in 1962 totaled 520 million pounds, export weight, slightly above last year's 504 million (Chart No.5). Exports in recent years have been relatively stable. The annual 3 percent rise in foreign tobacco use has been met mainly by increased foreign production, chiefly in Rhodesia-Nyasaland, Greece, and Turkey. Exports have been maintained at a fairly high level because of continued rising use of tobacco in foreign countries and availability of high quality leaf in the United States. Higher prices last year advanced export value to a new record.

11. Vegetables and Vegetable Preparations Show Some Gain. Exports of these commodities totaled $136 million compared with $127 million in 1961. Exports were marked by major shifts in dried beans, white potatoes, and canned vegetables. Bean exports fell considerably, reflecting larger crops in Mexico and other Latin American countries and apparently large

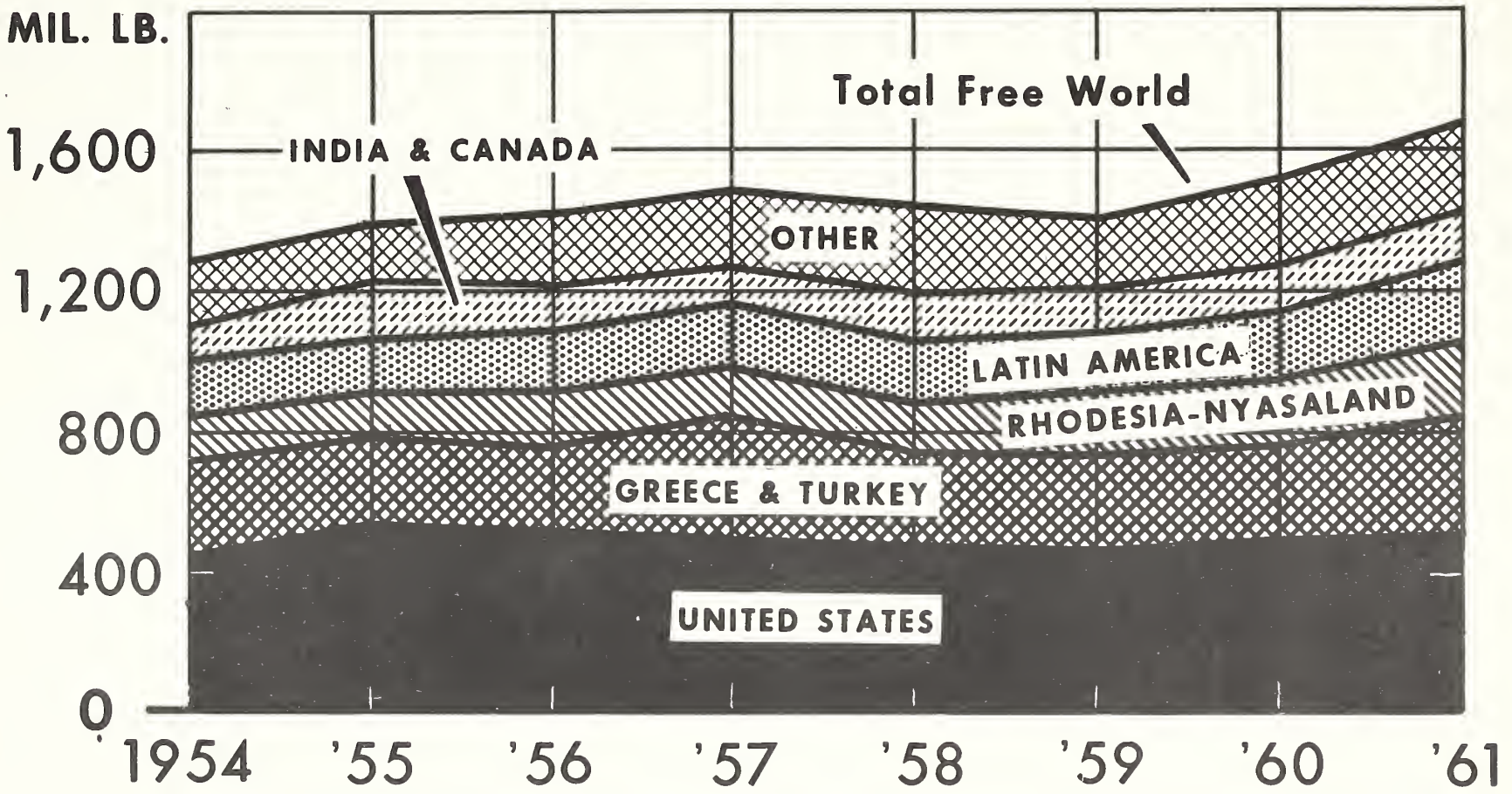
U.S. Increases Exports in Record World Wheat Market



YEAR ENDING JUNE 30. *INCLUDES WHEAT EQUIVALENT OF FLOUR.

U. S. DEPARTMENT OF AGRICULTURE (CHART NO. 4) NEG. FAS 2298 FOREIGN AGRICULTURAL SERVICE

U. S. Tobacco Exports Steady; Competitors Gain



U. S. DEPARTMENT OF AGRICULTURE (CHART NO. 5) NEG. FAS 2285 FOREIGN AGRICULTURAL SERVICE

canned stocks in Western Europe. The gain in white potatoes reflected the substantial increase in the 1961 harvest in the United States and lower production in Western Europe. Exports of canned vegetables have increased principally to Western Europe, reflecting advancing standards of living and the gradual relaxation of trade barriers.

12. Record set for Exports of Fruits and Fruit Preparation. Sales in 1962 totaled $282 million compared with $254 million in 1961. Exports in 1962 were stimulated by the small deciduous crop and further relaxation of trade restrictions in Western Europe. Substantial export gains occurred in fresh apples, and canned fruits, with smaller increases for raisins, prunes, fresh oranges, and fruit juices. Larger U. S. production of apples and oranges coupled with lower prices aided exports.

13. Sales Increased for Animal and Animal Products. Exports in 1962 totaled $627 million compared with $613 million a year ago. Gains in tallow, variety meats, and poultry meat were offset by declines in exports of lard and other products. Smaller lard exports reflected the loss of the Cuban market and increased European production. Exports of hides and skins and dairy products were substantially unchanged in value from a year earlier.

14. Poultry Exports Increase. During the first five months of 1962, total foreign shipments of fresh and frozen poultry totaled almost $30 million, a 66 percent increase over the same period in 1961. Largely contributing to this increase were expanded shipments to our primary market, the Republic of Germany. U. S. exports of frozen chicken and turkey to Germany during the January - May 1962 period were 73.6 million pounds, compared with 30.0 million pounds shipped during the first five months of 1961. Increased exports to the Netherlands in 1962 more than compensated for the slight reduction in Swiss poultry imports from the United States.

In late 1961, the Italian Government issued a license for the import of poultry from the dollar area; $200,000 worth of poultry (largely turkeys) were imported from the United States for the Christmas season. Demand was so strong for this poultry that a second dollar license for $250,000 worth of poultry was issued for imports during 1962.

15. Agricultural Exports More than Double Supplementary (partially competitive) Agricultural Imports. Supplementary imports--consisting of products most nearly like those produced by U. S. agriculture--totaled $2,052 million in fiscal year 1962. The ratio of agricultural exports to supplementary imports was 2.5 to 1. In other words, exports were more than double imports of like commodities. The supplementary products gained 13 percent in value in fiscal year 1962. The gain consisted mainly of animals and animal products, principally dutiable cattle beef and veal, apparel wool, and hides and skins. Imports of dutiable cattle were encouraged by droughts in Canada and Mexico and beef and veal by continued strong demand for prepared meat products in the United States.

INTERNATIONAL AGRICULTURAL AFFAIRS

1. Intensified Efforts to Eliminate Restrictions Against U. S. Agricultural Exports. During 1962 FAS continued its efforts to insure that the agricultural policies and programs adopted by the European Economic Community (EEC) give due recognition to the interest of non-member countries. USDA and other U. S. Government officials continued high level representations with foreign government officials in Rome, Paris, Brussels, the Hague and Bonn. An intense study was made of the EEC regulations concerning the common agricultural policy adopted by the EEC as soon as these regulations were released on January 14, 1962. Problems concerning U. S. agricultural exports to EEC countries, more sharply defined since the adoption of the regulations, are currently being studied, discussed and negotiated to insure a continued export market for the U. S. commodities involved.

The fiscal year was also marked by intense activity in the field of trade policy. Included among the major activities were these:

(1) conclusion of the fifth round of tariff negotiations under the GATT 'General Agreement on Tariffs and Trade),

(2) significant progress in the definition of outstanding issues of trade with the EEC in agricultural commodities,

(3) further relaxation of non-tariff trade barriers against U. S. exports of specific farm products in specific markets.

Taking these events in order, of major importance was the conclusion of the 5th round of tariff negotiations under the GATT. This involved:

(1) An examination in the light of certain GATT provisions of the Common External Tariff fixed by the EEC. For a wide range of agricultural commodities, agreement was reached with EEC that the CXT was no higher - on the whole - than the tariff rates prevailing in individual Member States prior to the formation of the Community.

In addition, an exchange of tariff concessions was also negotiated with EEC. Together, these two phases of the deal with the Common Market resulted in a trade agreement which fixed tariff rates on agricultural items of a 1960 U. S. export value of about $790 million.

(2) The United States also concluded tariff negotiations with 14 countries other than the EEC at the same conference. Agricultural concessions obtained by the U. S. from these countries covered items with a trade value of $66 million, based on 1960 U. S. exports.

As to the commodities involved in the common agricultural policy of the EEC, it was possible only to keep open the door to further negotiations when more is known about several unknowns specified in a "Joint Declaration" issued by the two sides at the conclusion of the tariff conference. In this sense, progress was measured in a postponement of EEC measures and decisions which would not have been in the best interests of maintaining U. S. agricultural exports.

(3) Progress in securing liberalization during 1962 of trade in specified agricultural commodities in specific markets is shown by the following examples: (See also Chart No. 6)

Australia--Effective January 2, 1962, certain vegetable oils, seeds and nuts were removed from import control.

Austria--Austrian authorities announced on January 2, 1962, that the import restrictions on the following commodities had been lifted: Cheese and curd; roasted malt; mixtures of hydrogenated oils; certain infant foods; frozen vegetables; and fruit, prepared or preserved in airtight containers.

Belgium--The following agricultural commodities were liberalized effective January 1, 1962: Unrendered pig fat, fresh or smoked; milk and cream, fresh, not concentrated or sweetened; milk and cream preserved, concentrated or sweetened in liquid form or paste with or without added sugar; butter; other cut flowers and buds, fresh; lard and other rendered edible pig fat; and prepared or preserved foal flesh.

Denmark--The Danish Government resumed unlimited feed grain imports on November 17, 1961. Feed grain imports were embargoed on September 13, 1961. In addition, fresh cranberries have been removed from control and citrus juices are now being licensed freely to the United States with no fixed quotas.

France--The Government of France announced on December 8, 1961 the extension of liberalization to U. S. and Canada of potato and other starches and canned vegetables and vegetables in other containers. These products were previously liberalized only to OEEC countries.

Japan--On December 21, 1961, Japan liberalized 172 import items thereby effecting the 70 percent liberalization which was originally scheduled for December 1, 1961. Oatmeal, the only agricultural commodity listed in the preliminary list was moved from the Fund Allocation List to the Automatic Approval List. In addition, canned asparagus has since been added to the Automatic Approval List.

Spain--The Government of Spain published its sixth list of liberalized goods on February 9, 1962. Important agricultural commodities included were: Vegetables; canary seeds; sorghum, flours of starch goods; and flax and illipe.

Sweden--Effective January 1, 1962 and until further notice, no import license will be required for imports of dried albumen.

2. Participation in International Organization Programs. The Foreign Agricultural Service continued to carry out its responsibility for planning, organizing and administering the participation of the Department of Agriculture in programs and affairs of intergovernmental and non-governmental international and regional organizations and in international congresses and meetings. In this work it has cooperated closely with pertinent subject-matter agencies of the Department and with other Departments to ensure effective United States participation in international organizations and in international forums where agricultural problems are discussed.

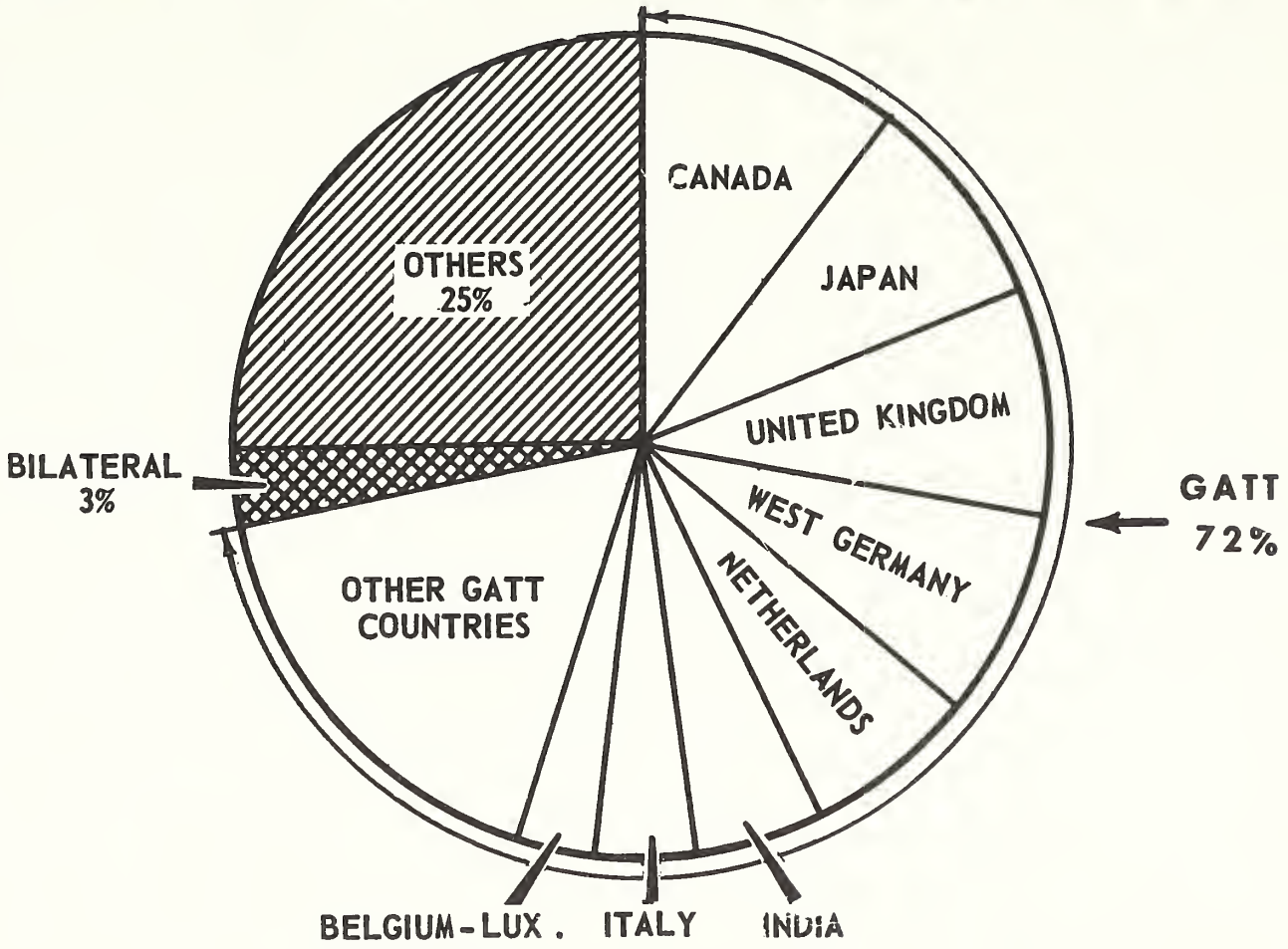
During the past fiscal year arrangements were made for the Department's participation in 177 international conferences and meetings. In addition to arranging for participation in international meetings, staff members took an active part in the preparations for meetings such as the FAO Council, the FAO Conference and the FAO/UNICEF Policy Committee.

FAS continued to represent the Department in meetings of the United Nations Economic Committee (UNEC), the interdepartmental group established to clear position papers for the U. N. General Assembly, Economic and Social Council, its four Commissions and other bodies of the United Nations. During the past fiscal year FAS reviewed and acted on 263 position papers for 18 UNEC meetings.

3. Investigations Conducted: During fiscal 1962, four cases were before the Tariff Commission under Section 22 of the Agricultural Adjustment Act, as amended. This Act is designed to protect agricultural programs from material interference of imports. Preliminary investigations were made and cases were prepared for imports of rye, rye flour and meal, Blue-mold cheese and Cheddar cheese, tung nuts and tung oil and articles or materials wholly or in part of cotton. Changed conditions not requiring the continuation of the quota were decided in the matter of rye, rye flour and rye meal. Similar changing conditions in tung nuts and tung oil resulted in the President's upholding the Department's recommendation of discontinuance of the quota. In November 1961, the Department requested an import fee on the cotton content of specified cotton textiles equal to the export subsidy on raw cotton and the cotton equivalent of cotton textiles. The Tariff Commission hearing was conducted over a period of 10 days, and no recommendation has yet been made by the Commission. The Blue-mold and Cheddar cheese investigation was initiated by Presidential request under Section 22(d) of the Agricultural Adjustment Act, as amended. The Tariff Commission's report, recommending no quota increase, was sent to the President on September 1, 1961. No immediate action was taken, and a continuing surveillance of the conditions surrounding the possible importation of these items was maintained. On March 30, 1962, the President announced an increase of 850,000 pounds in the annual quota for Blue-mold cheese.

4. Import Licenses Issued: Licenses issued for dairy product imports under the authority of Presidential Proclamations 3019 and 3025 totaled 2,994, of which 2,778 were regular authorizations and 216 were supplemental licenses. Authorized 120 transfers of country of origin, 226 changes in ports of entry, and acted upon over 60 petitions for relief from hardship. Under Presidential Proclamation 2550 issued 7 import licenses for wheat, 48 import licenses for wheat flour for experimentation and research, and 6 import licenses for certified seed wheat. Under Presidential Proclamation 3195, 26 licenses for imports of dry milk products were issued.

Trade Agreement Countries Take Three-Fourths of U. S. Farm Exports



YEAR ENDING JUNE 30, 1962.

U. S. DEPARTMENT OF AGRICULTURE (CHART NO. 6) NEG. ERS 1390-62(8) ECONOMIC RESEARCH SERVICE

AGRICULTURAL ATTACHES

1. Trade Liberalization. The efforts of Agricultural Attaches to obtain greater trade liberalization for U. S. agricultural products is a continuing task. These endeavors, carried on in cooperation with Embassy and other U. S. government officials, cover a variety of activities concerned with the removal or reductions in import restrictions, quotas, duties and other limitations that adversely influence the movement of U. S. agricultural products in the foreign market. Representation by Attaches to prevent the issuance of proposed new or more restrictive regulations is also important, such as measures that may be applied against certain food additives and artificial coloring materials.

   Following are a few specific examples:

   France - Over a period of years, representatives of U. S. firms have been trying unsuccessfully to obtain import licenses for rice which the French have been buying elsewhere. Through the efforts of the Attache import licenses were issued so that during June 1962 initial sales amounted to 2500 tons. This was the first U. S. rice sold in France since World War II.

   West Germany - Succeeded in getting Macintosh, York and Golden Delicious varieties of apples placed on the approved import list.

   Western Samoa - Succeeded in getting quarantine restrictions on American poultry lifted.

2. Market Development. High on the priority list of Agricultural Attaches is the continuing work with the commodity and trade promotion division of FAS and with the representatives of U. S. agriculture industrial groups to find and to further develop opportunities for increasing the commercial sales of U. S. agricultural products. These efforts have been noticeably effective in the high level of agricultural exports maintained during the past year.

   Listed below are some accomplishments during the past year:

   Japan - Discussions between the Japanese Ministry of Food and the Agricultural Attache's office in Tokyo and between the Japanese Embassy, Department representatives and the grain trade in Washington resulted in an increase of U. S. wheat shipments to Japan from 200,000 MT in 1961-62 to 600,000 MT in 1962-63.

   Nigeria & Ghana - Much work is being done by the Agricultural Attache at Lagos in assisting trade representatives in the development of greater demand for their exports to these countries. For example he assisted Great Plains Wheat Inc., in arranging for a team of four Ghana wheat flour importers to visit the U.S. Also, he spent much time during the year making arrangements for, and participating in, the U. S. agricultural trade fair at Accra, and now has a similar assignment for a fair at Lagos.

Liberia - The Agricultural Attache at Monrovia successfully assisted the Ambassador in negotiating and signing a Title IV, P. L. 480 agreement with Liberia having a market value of $8.6 million. Liberia is a dollar country, and its market potential for the U. S. is promising.

3. Public Relations. Attaches in Europe are called upon to render special service to an increasing number of visiting delegations of U. S. farmers and businessmen traveling abroad in the interests of promoting better understanding between the U. S. and people of other countries.

The Agricultural Attaches in Belgium, Poland and USSR arranged for briefings and visits for numerous delegations during 1962.

Attaches in Paris, Rome, The Hague, Bonn and London also "briefed" numerous groups of visitors.

Four U. S. study teams each composed of 4 to 6 State Agricultural Extension leaders were materially assisted by Attaches stationed in 20 countries. The study team travelled in the Far East, Africa, Europe and Latin America to assess foreign market potentials and obtain first-hand knowledge that could be passed on through their extension activities to U. S. farmers as to how markets for U. S. agricultural products abroad might be increased.

Agricultural Attaches gave assistance to a Congressional Delegation (members of the Agricultural Sub-Committee of the House Appropriation Committee) which visited all Attache posts in Africa in the fall of 1961. Objectives of the visit were to study agricultural trade and conditions in each country, to get acquainted with the work of the Agricultural Attache, and through him to meet trade and government representatives. In each case, the visit was highly successful, contributing to the strengthening of U. S. trade and other relations with these countries.

4. Reporting. Supplying an increasing volume of reports, market and price information covering the current and potential development of foreign agriculture continued to be a major function of Agricultural Attaches during the past year. More than 5,000 required and voluntary reports, in addition to several thousand other communications, were received from Agricultural Attache offices overseas. These reports were analyzed, duplicated by FAS/W and the information widely distributed. This information provides background and guidelines for Foreign Agricultural policy decisions, production plans, Market Development programs, legislative background and other agricultural activities.

New economic and political developments such as the Common Market have caused greater demands for more pertinent and timely information.

Spot market news over the past year has been received on a daily and weekly basis on such commodities as feed grains, wheat, cotton, dairy products, and rice from such selected markets as Liverpool, The Hague, Hamburg, Milan, Tokyo and Bangkok. During the past year efforts were intensified to give even more emphasis to this phase of the work and to make the gathering and distribution of the more basic information, as well as current on-the-spot data, as effective as possible.

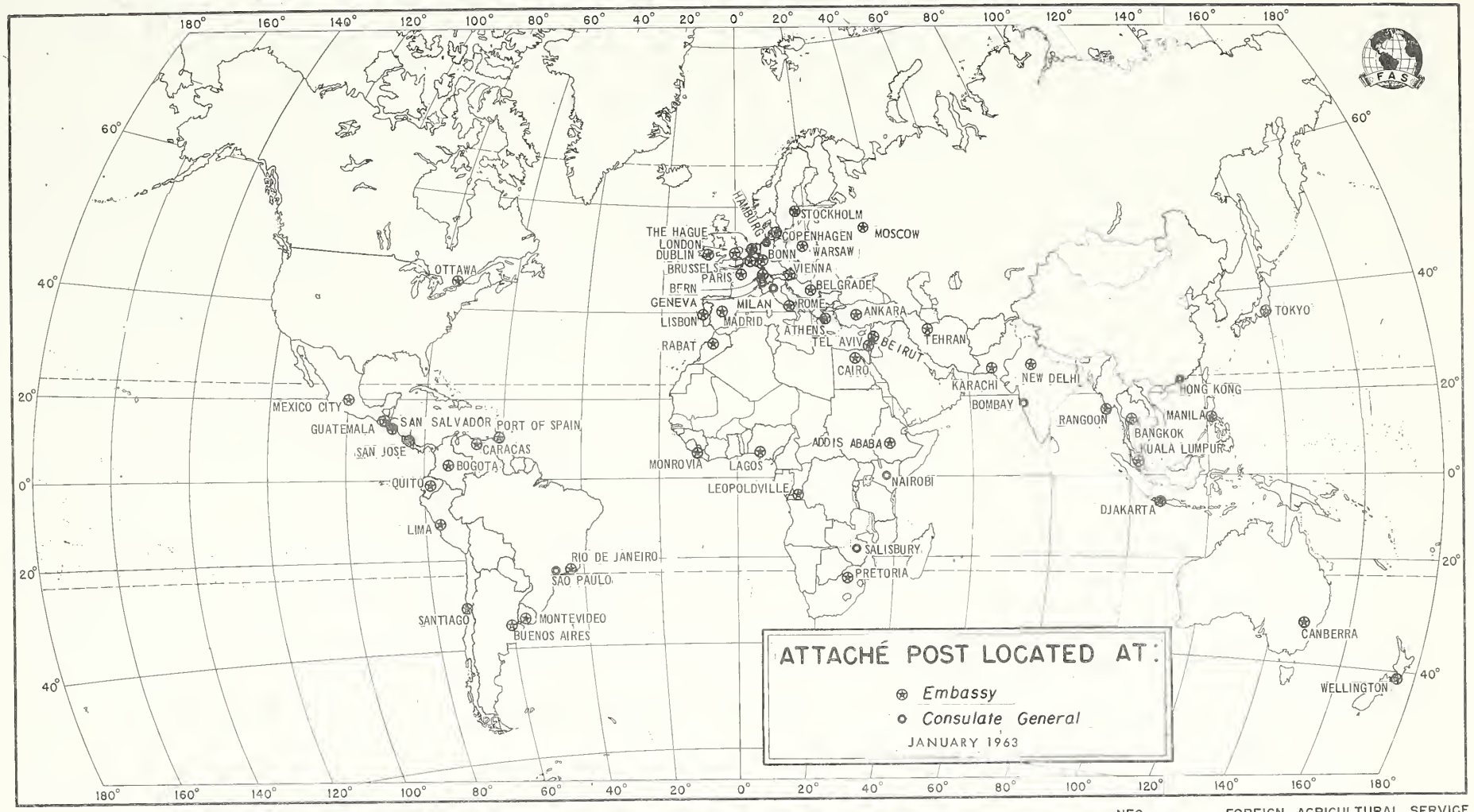
Spot market news is essential to the operations of the Department's export program in setting export subsidy rates and determining the level of minimum bids so that U. S. surplus agricultural products will be competitive on foreign markets.

Preliminary discussions have been held and consideration given to possibilities of adoption of more modern techniques in handling information, looking forward to a faster communications system, including eventually the use of Telex and data processing equipment, with the objective of making the reporting work immediately available and more highly effective. Reproduction of the Agricultural Attache reports from the Field is already being done by the Department and procedures are in process for wider distribution to make them immediately available to business interests.

5. Representation in International Affairs. The Agricultural Attache residing in the country where international conferences and forums take place normally represent the interests of the USDA and U. S. agriculture in general. Summary reports of such meetings are prepared by Attaches for the information and benefit the USDA and others.

6. Distribution of Attache Posts. The location of the Attache posts is shown on the following map.

DISTRIBUTION OF U.S. AGRICULTURAL ATTACHÉ POSTS



U.S. DEPARTMENT OF AGRICULTURE

NEG.

FOREIGN AGRICULTURAL SERVICE

COMMODITY PROGRAMS

1. FAS and Other Agencies Cooperate in Solving Marketing Problems. Canada imports 75 to 95 percent of her raw cotton from the United States. This year, one of the larger Canadian textile mills found among some of its incoming U. S. shipments a few bales of contaminated cotton. The problem was called to the attention of the Agricultural Attache in Ottawa. The Attache immediately contacted the FAS Cotton Division. Samples and identification, including bale numbers, area of production, and the cotton gins involved, were asked for and received from the Agricultural Attache. This information, in turn, was passed on to Federal Extension Service cotton ginning specialists, who, in cooperation with State Extension specialists, conduct educational programs throughout the cotton producing states. These ginning specialists were directed to the area from which the contaminated cotton was originating. Educational programs with ginners were brought to bear on the problem. The Canadian textile mill buyer was happy about the prompt action taken.

2. Inquiries Answered Regarding Newly Developing Textile Manufacturing Countries. Textile industries are being developed in many new and sometimes remote countries of the world, particularly Asia and Africa. Marketing channels between U. S. cotton exporters and these newly developing textile manufacturing countries need much information to assess the sales possibilities of these new markets. This past season numerous inquiries were made by U. S. exporters and information was supplied to them by FAS.

3. Requests for Technical Services and Information by Users of U. S. Cotton Increase. Demand by foreign customers is growing for technical service and information on manufacturing processes, the use of mechnical and chemical testing to evaluate quality, and for the improved utilization of cotton in making new and better products. As the USDA, State Universities, and private groups develop processing and utilization research, the task shifts to that of disseminating this information to the users of U. S. cotton. Since forty to forty-five percent of the U. S. crop is sold abroad, the magnitude of the task is no small one for FAS. This past year, marketing specialists visited and consulted with users of U. S. cotton in all of the major world cotton markets. In addition, this year, for the first time, periodic U. S. cotton processing and test results were provided throughout the harvest season to 300 foreign users of U. S. cotton in 22 consuming countries. Distribution was made by agricultural attaches to their foreign contacts. This timely information was an excellent supplement to personal contacts made by marketing specialists. It provided information regarding the various test results and spinning performance of U. S. cotton.

Foreign purchasers of U. S. cotton could compare these results with those for U. S. cotton of pervious seasons, as well as with competing growths.

4. Cotton Textile Imports Studied. One of the most dynamic aspects of the cotton situation during the past year has been that of cotton textile imports into the United States. The Department of Agriculture is directly concerned with the use of U. S. cotton, both at home and abroad, and consequently has an immediate interest in U. S. cotton textile imports and decisions affecting this trade. Many individuals and groups were involved for the first time with the cotton textile import problem. The need for background information on this problem lead to the preparation of a report entitled "U. S. Cotton Textile Imports - Perspective on a Complex Problem" which was very successful.

5. Cotton Production and Marketing Research Reported. The International Cotton Advisory Committee, ow which the United States and 34 other nations are members issued a report on cotton production research for its 1962 Plenary Meeting. The United States section summarized cotton production and marketing research classified by agency, by general lines of investigation, and by location.

6. Foreign Competition in Fruits and Tree Nuts Investigated. The impact of expanding foreign production and increasing export competition has been of growing interest to U. S. fruit industries. The publication of comprehensive competition reports, largely based on field surveys, continued. This past year, 6 additional reports on competitive developments in foreign countries were published, making a total of 30 reports in 7 years. Reports covered the following:

a. Citrus industry of Italy which has the world's second largest lemon industry and the largest orange production of the Common Market members. The survey reveals an "explosion" in orange plantings and revolutionary changes in the processing industry.

b. Comparisons of the quality and condition in the London market of certain U. S. fresh canned and dried fruits with those from competing countries. U. S. grade standards were used in making comparative appraisals regardless of the country of origin. Although U. S. items were found to be superior in some respects, for some characteristics the foreign products had an edge.

c. Foreign competition in world raisin markets brought out that foreign production is expanding and is likely to continue to expand and that the processing and packaging of competing raisins is steadily improving. This is of significance to our raisin industry which depends on the export market taking 30 percent of the U. S. pack.

d. World production and trade of bananas concludes that U. S. imports will continue to increase along with population growth but per capita consumption here will probably not rise further. Expansion of banana production and exports is limited by the import restrictions imposed by some importing countries.

e. The strawberry situation in Mexico indicated an improvement in production and the prospect that the 1962 crop would be as large or slightly larger than the previous one. It was also indicated that Mexican strawberry production is likely to continue the upward trend of recent years.

f. Almond industry in Spain--the world's second largest producer and exporter--revealed that Spanish production and exports will continue to increase due to further new plantings. With better varieties being planted and the pack otherwise improved, increased competition for U. S. export markets can be expected.

7. Food Health Regulations in Europe. FAS has continued its joint project with ARS in working with the Western European countries in modifying existing regulations and in developing new regulations more in line with those applicable in the United States. A list of chemicals used for fruits and the tolerances established by the U. S. Food and Drug Administration have been sent to several European governments and to the U. S. Agricultural Attaches. It appears that the Common Market Countries have delayed for some time establishing a list of post harvest chemicals and their tolerances.

The government of Finland established a list of tolerances for several chemicals. It is expected that the list of chemicals used in the United States will expedite the clearance of U. S. fruit treated with chemicals not listed provided they are within the tolerances permitted by the Food and Drug Administration.

An Interdepartmental Committee has been established to work on the chemical residue problem on both fresh and processed food. Officials of the Food and Drug Administration may join with FAS and ARS in working with European governments and organizations to develop a list of permitted chemicals with tolerances that are safe and that will not restrain trade.

8. The European Common Market Regulation for Fruits and Vegetables. During the year the emergence of the European Economic Community began to be felt as initial adjustments were made in tariffs. Internal duties between the Member States began to be adjusted toward the ultimate zero level to create a wholly new area of trade preference. Simultaneously duties toward third countries were adjusted toward the level of the common external tariff. A Common Agricultural Policy for Fruits and Vegetables was issued as an EEC Regulation. The Community adopted European Standards for nine fresh fruits and vegetables.

9. Canadian Wheat Marketing System Studied. Canada is the principle competitor of the U. S. in dollar markets for quality wheat. The study answers a number of questions revealing how Canada is able to deliver clean wheat and wheat

which is uniform in baking quality. The principle factors which make this possible and which in turn give Canada a competitive advantage in foreign markets are: (1) that no mixing of grains is permitted after wheat is loaded on the railroad cars at the country elevator and (2) that every bushel of wheat is cleaned before moving into export. The study also indicates that Canada is carrying out an active promotional program which includes sponsoring foreign delegations to visit Canada; a cash contribution to the Institute of Baking of Japan for Laboratory equipment; distribution of films on Canadian wheat; training of technicians in not only the milling, baking and marketing fields but in languages as well; research, and the maintenance of marketing offices in London, Rotterdam and Tokyo.

10. Competition in the Grain Market of Western Europe Analyzed. In an effort to measure the competitive factors at work in West Europe, and to account for the relative position of the various exporters, a survey of varieties in the U. K., Italy, Germany, the Netherlands, and Austria was undertaken. These five countries account for approximately 25 percent of world wheat imports and over 47 percent of world feed grain imports. The study provided an up to date summary on the structure of the grain trade and an analysis of the market for each country.

11. Official U.S.S.R. Edition of "Grain Supplies" Translated and Published. "Grain Supplies" is a comprehensive publication on U.S.S.R. Government standards for all grains. It includes detailed information on procedures for sampling, grading and methods of determination of quality as well as other valuable information on storage, transportation and utilization of grains in the U.S.S.R. This is the first time such information has been available in the United States.

12. Government/Industry Conduct Joint Study on Rice in the EEC. The FAS Rice Marketing Specialist, and three industry representatives traveling at their own expense, conducted a survey to (1) study the effect the common agricultural policy may have on the rice trade with the common market; (2) determine how the program will work and if any features of the proposal will be damaging to U. S. trade; (3) what are the possibilities for increasing production of rice in France and Italy; and (4) determine the position of importers and rice millers in Northern Europe.

13. Rice Study Nearing Completion. Work progressed on the second phase of the rice marketing research study covering comparisons of the physical and chemical characteristics of rice moving in international trade with the principal rice varieties now grown in the U. S. Results will be published shortly. The first phase covered analysis of rice moving in international trade in terms of U. S. Official Rice Standards. Results were published in March 1961.

14. Study of Trade Barriers Affecting Exports of Livestock and Livestock Products. With the strong support of the U. S. livestock industry, a world wide study was initiated of all trade barriers affecting the exports of U. S. livestock and livestock (other than dairy and poultry) products, which were valued at $365 million in 1961. Through our agricultural attaches covering more than

70 countries, reports have been requested on current information concerning trade barriers and competition affecting U. S. meat and meat product trade, together with recommendations as to how these factors can be reduced or eliminated. Many of these reports already have been provided to the U. S. livestock industry which states that they are "extremely valuable", as well as to U. S. Government officials engaged in formulating foreign trade policy. This material also will be very useful to U. S. representatives at future trade negotiations.

15. The Common Market and The U. S. Livestock Industry. Five circulars were published on the possible impact of the European Common Market on U. S. exports of livestock, meat and other livestock products. These circulars outline the Common Market policy for livestock and livestock products and analyse the effect of this policy on U. S. exports, which to this area and the United Kingdom now total about $145 million per year. Further studies are planned to bring this information up-to-date and will include an analysis of the effects of the entry into the EEC of such countries as the United Kingdom, Denmark, Ireland and others.

16. Japan's Use of U. S. Tobacco Rises Again. In 1961, factory use of U. S. leaf in Japan totaled 15 million pounds, compared with 12 million in 1960, and with only 5 million in 1955. Japanese Tobacco Monopoly officials credit the market promotion project, jointly entered into in early 1956 by the Monopoly, the U. S. trade, and the USDA with about 50 percent of the increase.

17. Expansion of Sugar Trade Required Wider Range of Reporting of the International Sugar Situation. New Sugar Act Amendments effective July 1, 1962 added 16 new countries with specific quota assignments, making it necessary to expand the analysis of the availability of sugar throughout the world. These detailed country reports on production, trade, stocks, wages, and related data were necessary in considering alternate sources of supply and allocation quotas and shipment authorizations. The new sugar legislation established a new basis for trade from the previously limited foreign sources and entailed considerable evaluation of data from sugar exporting countries.

Extensive analysis and evaluation of sugar production and distribution was done in supplying background material for the U. S. position for negotiation with the European Economic Community on sugar within the framework of the Articles of the International Sugar Agreement. Since the interests of the Commonwealth Sugar Agreement and the French Sugar Plan contain the three primary features recently adopted by the U. S. Sugar Act Amendments effective July 1, 1962, these plans were considered in this overall study.

18. Participation in the International Coffee Agreement. Coffee statistics and analyses prepared by FAS were used extensively in preparations for the United Nations July 9 - August 17 Negotiating Conference for a long-term coffee agreement. FAS has extensive coverage in collecting and analyzing coffee date which are generally recognized as being the most reliable and objective available.

19. Changing World Trading Patterns Entails Broader Studies. Major changes in world trading patterns largely due to the formation of Common Markets are effecting the usual agricultural production and trade patterns of a large number of countries. Pertinent information on these changes involving tropical products and the economies of the producing countries needs to be analyzed in order to supply reliable date on the production, supply and distribution situation of such commodities as cocoa, tea, fibers, spices, etc.

Less developed and newly independent countries are placing greater emphasis on self-sufficiency in foodstuffs which in turn may affect the output of tropical export crops since additional land, capital investment and manpower is needed to implement such a policy. Staff activities are aimed at analyzing and evaluating these economic development plans, and government policies affecting land management and human resources. The availability of strategic and essential tropical imports needed in the United States is dependent upon an overall study of the major producing countries to anticipate quantities entering world trade.

1. Accomplishments Under Market Development Projects. Following are explanations of the commodity projects, international trade fairs, and other projects and activities to be carried out under market development projects in the fiscal year 1964.

a. Cotton Promotion--Market development programs for cotton are being accomplished through the cooperation of the U. S. Government with private industry, as expressed in the cooperative efforts of USDA's Foreign Agricultural Service, the Cotton Council International, and cotton trade groups and interests abroad.

These programs are tripartite arrangements: CCI and the cooperating foreign industry group pay at least one-half of the cost, and FAS pays the other half with foreign currencies generated by the sale of surplus agricultural commodities under provision of P. L. 480.

The 16 program countries during FY 1962 were Austria, Belgium, Colombia, Denmark, Finland, France, Germany, India, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, and the United Kingdom. These include most of the major cotton-importing countries of the Free World. Total cotton consumption in these countries last year was over 14.5 million bales. The 16 program countries represent half the population, two-thirds of the cotton consumption, and 80 percent of the textile capacity of the non-communist world outside the United States.

The purpose of this cooperative work is to increase the use of cotton products throughout the world by expanding consumer demand for cotton textiles. The U. S. expects to share in this increased demand.

Demand expansion has been attempted by three-phase programs in most cooperating countries. The three phases are market studies, sales promotion, and public relations.

A large number of the cooperating foreign industry organizations have most of the elements of the basic three-phase program, and some have special additional features. Basic features consist of varying forms of cotton news and photo services, and educational program for schools, a loan library for films and other audio-visual materials, an industry bulletin, regular contacts with fashion designers and leaders, seasonal fashion shows with news and photo coverage, and fashion advertising. Not to be overlooked are general consumer advertising for products other than fashion, trade publication advertising, sales training for retail clerks, and such complete retailer promotions as Cotton Week, Spring White Sales, and Back-to-School campaigns.

Cotton consumption in Western Europe and Japan has increased both in absolute quantities and in relation to that of other fibers, especially since 1957. Of the elements involved in this increase, cotton market development is one; others are higher incomes and levels of living, improvement of cotton's end-use qualities, more competitive cotton prices, and the liberalization of cotton imports.

b. Dairy and Poultry Promotion--Market development activities for the promotion of U. S. poultry, dairy products, and dairy cattle involve 34 countries.

Poultry and Poultry Products--Poultry promotion is carried out through the use of techniques aimed mainly at the consumer as follows: (1) market study on utilization and consumer preference; (2) event promotions such as Easter, Poultry Day or Poultry Month; (3) use demonstrations and consumer education; (4) sales training at wholesale and retail levels; and (5) participation in trade fairs. The actual sale of cooked poultry parts at trade fairs has been proven to be an effective means of establishing and stimulating expanded consumer demand. In addition, advertising is carried out in newspaper, trade journals and through promotional leaflets.

With the implementation of the EEC, increased emphasis has been placed on the promotion of U. S. poultry in our primary European markets. Shipments to West Germany and the Netherlands during the first six months of 1962 were running well ahead of the comparable period last year. In anticipation of higher landed costs as a result of the implementation of EEC duties, importers drastically stepped-up takings from the U. S.

Dairy Products--Nonfat dry milk continues to be the main dairy product in U. S. trade. Projects to promote U. S. dairy products abroad have concentrated on those involving the recombining of U. S. anhydrous butterfat and nonfat dry milk at overseas plants to produce nutritious dairy products in dairy deficit countries. Those countries which are milk deficit are, in most cases, developing countries with low per capita income, poor status of balance of payments, and a multitude of other problems. As these countries develop and per capita demand for quality foods increase above domestic supplies, it is expected that the United States will share in the supply of imported dairy products.

Instant nonfat dry milk has received excellent consumer acceptance in 10 trade fairs and products such as instant chocolate drink mix containing instant nonfat dry milk offer good limited outlets to some hard currency markets where consumers will pay a premium for high quality products.

c. Fats and Oils Promotion--Promotional activities for soybeans and soybean products are carried out in cooperation with the American Soybean Association and the Soybean Council of America, Inc. The administrative staff of the Soybean Council in Rome, Italy guides the promotional activities conducted in the country offices established in Israel, Italy, Belgium-Netherlands, Pakistan, Peru, Spain, Turkey, United Kingdom, Yugoslavia, Colombia, Denmark, Egypt, France, West Germany, India and Iran. These countries represent the major markets for soybeans and products thereof.

Recently the Soybean Council of America stationed a representative in Brussels. His sole responsibility is to analyze and report to the U. S. trade and to FAS, Common Market developments which may effect our exports of these commodities to that area.

During this marketing year, soybean oil, which had a relatively small dollar market abroad only two years ago, has by this year become a large earner of dollar revenue for the United States. In fact, record breaking quantities of vegetable oils, oilseed meals, and soybeans are moving into export this year. It is felt that the technical assistance and other promotional activities have been an important factor in gaining acceptance and increasing the demand for the oil seeds and their products.

Soybean sales to Italy illustrate this. U. S. exports of soybeans to this country have been increasing rapidly, rising from less than 50,000 bushels in the 1957-58 marketing year to an estimated 13 million bushels in 1961-62. Soybean exports to this country are expected to continue to increase substantially over th next several years. While part of the sharp rise in imports of U. S. soybeans can be attributed to limited exports from Mainland China, the major reason is the rapid expansion of the Italian poultry industry. The high-protein meal obtained from soybeans is used by the Italian mixed feeds industry for poultry, hogs and other livestock. Market development activities in Italy by the Soybean Council of America since 1957 have greatly assisted in expanding this market for U. S. soybeans. Activities that have been conducted by the Council include exhibits of soybean products at U. S. trade fairs and Italian agricultural fairs; distribution of information and materials through all types of Italian news media; seminars on animal nutrition promoting the use of soybean meal; and the continued service of assisting the U. S. trade to facilitate transactions with Italian importers. The Soybean Council has encouraged U. S. firms to expand their activities in Italy, and only recently two U. S. oil-seed processing firms established operations in that country.

d. Fruit Promotion--FAS in cooperation with the fruit industry, has expanded its activities and market development projects during the past year.

Activities under the program have included all types of work ranging from surveys to determine the market potential and consumer attitudes to products new or relatively unknown on the foreign markets, to full-blown advertising and merchandising programs aimed at expanding existing markets for products already widely distributed.

Cooperative agreements with the Florida Citrus Commission, the California Prune Advisory Board, the California Raisin Advisory Board and the Cranberry Institute have been amended to establish them on a continuing basis so as to maintain continuity of activity from season to season. Previously these projects had been written individually for a season at a time. The new arrangement allows for budget and expenditure planning for two or three years in advance. A continuing project has been established with the California-Arizona Citrus Industry, bringing this segment of the fruit industry into the program as a full cooperator for the first time.

Segments of the fruit industry have carried out these programs chiefly in Europe which is by far the most important export market for U. S. fruits. However, during the past year, success has been attained in Japan for certain products. For example, the promotional project for California raisins in Japan has now been in operation about one year. During this time, Japanese imports of U. S. raisins grew from about 5,000 tons to over 11,000 tons.

e. Vegetable Promotion--The market for Florida celery continued to expand in the United Kingdom despite high prices in our domestic market. Prepackaged film bags of carrots were shipped from Arizona to the United Kingdom. It is planned to encourage additional shipments of hardy vegetables to Northern Europe this winter.

f. Grain and Feed Promotion--Promotional programs involving over 50 countries were underway at the close of FY 1962.

Wheat and Wheat Products--Programs are being carried out in cooperation with three industry organizations: Great Plains Wheat, Inc., Western Wheat Associates' USA, Inc. and the Millers' National Federation. U. S. wheat now has representation in Rotterdam, Rome, Panama City, Lima, Rio de Janeiro, Bogota, Tokyo, Manila, New Delhi, Karachi and Dacca which plan, supervise and carry out programs either directly or in cooperation with foreign cooperators.

For several years we have been trying to develop a wheat market in Japan, but most of it has been going to the Canadians who had their Hard Red Spring wheat available on the west coast while our comparable wheats were in the midwest and could not compete because of the added freight rate.

To overcome this obstacle we have taken the following steps:

1. CCC agreed to make available to the Japanese hard wheat of desirable qualities at prices competitive with Canadian wheat at west coast ports.

2. Great Plains Wheat and the Department have worked to secure a reduction of freight rates and this has culminated, within the past two years, in a reduction which has averaged 28¢ per hundred weight. This has been in two stages, the last one of 12¢ becoming effective May 26.

3. Through technical assistance we have educated the Japanese on how to use Hard Red Winter wheat for purposes where they had previously used Canadian Manitoba.

As a result of these actions the Japanese demand for U. S. wheat has increased substantially -- about one-third in the past year.

Feed Grains--The market development program for feed grains was expanded appreciably during FY 1962. The U. S. Feed Grains Council (Cooperator) now has foreign offices in Rome, Rotterdam, London, Hamburg, Bogota and Tokyo. The basic objective of this program is to expand the livestock industries of foreign countries thereby creating an expanded market for U. S. feed grains. Programs include establishment of feeding trials and demonstrations; technical assistance on feeds and feeding including translation and dissemination of printed material relating thereto; marketing assistance; market studies; participation in trade fairs including mobile and portable feeding exhibits; exchanges of industry and government officials, and the sponsoring of symposiums and seminars.

Continuing programs in Italy and Greece have had a significant impact on the expansion of the livestock industries and corresponding increase in feed utilization in those countries. Intensive programs in the U. K. and Japan contributed to the large gains in sales to those countries in 1962. Japan represents the greatest potential expanding market for U. S. feed grains in the world at this time, and further gains are expected.

Rice--The U. S. Rice Export Development Association, Inc., expanded its program in Western Europe and Africa in 1962. Active programs are now underway in the U. K., the Netherlands, Belgium, Luxembourg, Denmark, Norway, Sweden, Switzerland, and the Republic of South Africa. The Association also participated in Trade Fairs in Berlin, Stuttgart, Hamburg, Tel Aviv and Accra during the year. Country programs are carried out by home economists (foreign nationals working under the direct

supervision of the Association) who promote the economy, versatility, and nutritive value of high quality American rice through cooking demonstrations which include talks and slide presentations to housewives, clubs, mass feeding establishments such as schools and hospitals, and at trade fair exhibits.

On the breaking of relations with Cuba we lost our largest cash market for rice. However, increased cash sales of U. S. rice to Western Europe and Africa have more than offset the 3 1/2 million bags of annual cash sales that we lost to Cuba.

Pulses. Under an umbrella-type agreement with the Western Bean Dealers, Inc., of Twin Falls, Idaho, the following activities were carried out for dry edible beans and peas in FY 1962: (1) participation in trade fairs at Hamburg, Germany and Tel Aviv, Israel (2) 3-man market potential survey of Latin America (3) a 5-man industry team from West Europe visited the U. S. pulse industry. In past years there has been no industry-wide organization to participate in this program. However, work is now progressing on the articles of incorporation for an industry-wide organization to backstop and supervise a pulses market development program.

Seeds. Market development work in seeds is carried on mainly with grass and legume seed. Exports reached an all-time high of 63 million pounds in 1960-61 and the 1961-62 exports will be the second highest of record. Cooperators in market development activities in seeds include the Pacific Seed Export Market Institute, the Oregon Seed Council, the Texas Certified Seed Producers, Inc., and the Washington Crop Improvement Association. The work with cooperators includes sending missions abroad to study marketing problems and bringing techicians and representatives of the trade to the producing areas of the United States to observe the production of superior quality seeds.

These exchanges have added impetus to the multiplication of new European varieties of forage seeds in this country; created interest in more cooperative research with European countries to determine the effect of environment of genetic characteristics of seeds; spurred interest in greater exchange of information and plant materials; and increased interest among U. S. seedsmen in the expanding export market.

g. Livestock and Meat Promotion--Market development activities involving the promotion and potential export of livestock and meat products was carried out in 42 countries during the period under review.

Lard. A lard promotional project, in cooperation with the National Live Stock and Meat Board as the Cooperator, was developed for the United Kingdom. As a result of the loss of the Cuban export market, it is of vital importance to the swine industry and lard processors that exports to the United Kingdom be maintained or increased. For the first six months, January-June 1962, lard exports to the United Kingdom totaled 230 million pounds as compared to 213 million pounds during the same period of 1961. Although the present program is relatively small in comparison to the size of the U. K. market, it will provide guidance for further promotional activities for lard.

Tallow. Exports of U. S. tallow are now equal to nearly one-half of U. S. production and have an annual value of about $135 million. With probable expanded U. S. production and decreased consumption in the

traditional soap and fatty acid industries, it is essential that efforts be made to promote expanded exports of tallow. In the major market, Japan, there is a leveling off of soap consumption because of the rapid increase in use of washing machines and detergents; and a study indicates that future promotional efforts should be shifted from the large cities to the medium and small size communities and rural areas. Preliminary studies also indicate that a large potential exists in Japan for the use of tallow in livestock feeds. The Japanese forecast that they will produce 5.4 million metric tons of mixed livestock feeds in 1962. The inclusion of tallow in this quantity of feed, at even less than the current U. S. level, would require 250 million pounds of tallow and grease.

Exports of U. S. tallow to Colombia in January-June of 1962 were 14.5 million pounds as compared to 10.3 million pounds in the same period of 1961. The possibility of expanded soap promotion activities in other Central and South American countries is under consideration.

The National Renderers Association opened an European office in Rome in May 1962. Activities under this project will emphasize the use of tallow for industrial purposes as well as in livestock feeds and will be carried out in Italy, Spain, Germany, Netherlands, France, and the United Kingdom.

Hides and Skins. The market development project, in cooperation with the Western States Meat Packers Association and the National Hide Association, continued in Japan. The objective of this project is to further expand consumption of leather goods in Japan. Exports of U. S. cattle hides to Japan in 1961 amounted to 3,174,103 pieces valued at $25 million, as compared to the 1960 exports of 2,392,172 pieces valued at $20 million.

Variety Meats. A team, with representatives of the American Meat Institute and the USDA, made a study of the problems encountered in exporting variety meats to Western Europe. The countries involved in the study were West Germany, Belgium, France, The Netherlands, and United Kingdom. As a result of this study, difficulties with our exports of this product have been greatly reduced.

h. Tobacco Promotion--Market development projects, carried out in cooperation with the U. S. tobacco trade and foreign monopolies concerned, continued throughout FY 1962 in Japan, France and Thailand. Results of the intensive "brand" promotion work carried out under these projects have been impressive in all three countries. In France usings of U. S. leaf tobacco in 1961 were the highest since 1955. Gitanes and Royal cigarettes were heavily promoted in France and showed major sales increases. Japanese imports of U. S. leaf in 1961 were 19.4 million pounds, compared with the 1960 level of 12.7 pounds. The sale of Peace cigarettes, a Japanese brand containing 25 percent U. S. leaf, increased from 14.7 billion pieces in 1960 to 17.4 billion in 1961. The U. S. continued to supply practically all of the leaf tobacco imported by Thailand and usings of U. S. leaf in that country increased from 9.5 million pounds in 1960 to 9.8 in 1961, and with a further increase forecast for 1962.

The Virginia Dark-Fired and Sun-Cured Export Tobacco Association, Inc., has recently been organized and has become the fourth U. S. tobacco Cooperator currently working with FAS in market development work.

i. International Trade Fairs and Related Activities--Under international trade fair activities, FAS organizes and manages exhibits abroad designed to promote the development of markets for U. S. agricultural commodities. U. S. trade, agricultural and industry groups participate by supplying exhibit ideas and materials and technical personnel to man exhibits and carry out other market development promotional activities. Participation in 109 international exhibits since the inception of the program in 1955 has resulted in promotional contacts at fairs in 28 countries with a total attendance of approximately 46 million visitors.

A new departure in the FAS exhibit programs is a series of exhibits in four of the largest food fairs in Europe during 1962 (Manchester, London, Munich and Brussels) which include self-service sales of U. S. processed food products to exhibit visitors on a major scale for the first time. The Manchester exhibit held during this reporting period involved the products of 100 commercial food firms from throughout the United States and the United Kingdom. Total sales of food products to fair visitors amounted to $35,000. Commercial firms delivered products to the fair at their own expense, bearing shipping, handling and customs charges plus a share of the operational expense of the store operation. Benefits to the firms included opportunity to:

* Test the sales pull of their products in self-service setting.

* Get their brands into English homes where the whole family can try them.

* Introduce their lines to British wholesalers and retailers.

* Benefit by supporting promotional activities focusing attention on U. S. foods for weeks before and after the fair.

During this period international trade fairs and related activities were held as follows:

Test-Selling Food Exhibits

Country	Period	Commodities Featured
Manchester, England	May 8-19	Wheat products, honey, rice, poultry products, lard, fruit & a special presentation of frozen & dry packaged foods provided by 100 commercial food firms for sale to fair visitors in a self-service store within the exhibit.

General Exhibits

Tel Aviv, Israel	June 5-July 5	Soybean & soybean products, beans, peas, lentils, rice, & modern convenience foods in the form of packaged & frozen food products.

Inter-Agency Exhibits

Berlin, Germany 1/	Feb. 2-11	Wheat, poultry, soybean & fruit products
Oska, Japan 2/	April 5-25	Soybean & soybean products, poultry & poultry products.

Attache-Cooperator Exhibits

Valencia, Venezuela	Mar. 21-25	Wheat, certified seed, feed concentrates & pure-bred livestock.
Brussels, Belgium	April 27-May 13	Poultry, rice, wheat, soybean, tobacco, fruit & other U. S. food products.
Dublin, Ireland	May 1-5	Fruit & feed grains, wheat & tobacco.
Madrid, Spain	May 23-June 23	Wheat & wheat products, soybean & soybean products, dairy & poultry products, feed grains, cotton & tobacco.

1/ Cooperative with U. S. Information Service.
2/ Cooperative with U. S. Department of Commerce.

Trade Center Exhibit

London, England	1961 (Continuous)	Feed grains (including grading & testing techniques)

j. Other Projects and Activities--Principal types of FAS projects which are being carried out, in addition to Trade Fair exhibits, include: marketing studies and analyses; personnel exchanges; long-range studies of supply and demand; studies on the effects of Title I, P.L. 480 programs; evaluations of Section 104(a) activities; and studies on consumer expenditures. It should be noted that whenever the work can be done more effectively or more economically, the projects are carried out through contracts with U. S. or foreign organizations.

Long-range supply and demand studies are underway or planned for 12 countries to include consumer preference for food, fiber, and tobacco; food consumption patterns at different income levels; and long-term projections of supply and demand for agricultural commodities with particular emphasis on the types available for export from the U. S.

Studies of the economic effects of Title I undertaken in five countries will soon be completed and the resultant gauge of economic development will be used to guide market development. Similar studies are planned for 12 additional countries.

Evaluations of the promotional activities for three commodities under Section 104(a) are planned to guide future market development. Development and trade studies are planned for seven countries in which rate of development will have a major effect on their import trade. Market Research Studies are planned for 13 countries to evaluate market potentials for U. S. agricultural products. Work in these categories is generally contracted out to qualified firms operating in the countries in which work is undertaken. Results of these studies are expected to assist in the development of foreign markets and to serve as the basis for planning future promotional work.

2. Financing: Funds obligated for market development projects by the Foreign Agricultural Service since the beginning of the program and dollar values contributed by the cooperators are summarized by fiscal year as follows:

Fiscal Year	By USDA	By Cooperators	Total
	(Thousands of Dollars)		
1956	$ 1,425	$ 165	$ 1,590
1957	5,167	2,287	7,454
1958	5,510	1,446	6,956
1959	4,305	1,688	5,993
1960	6,688	3,358	10,046
1961	12,263 a/	7,625	19,888
1962	(4,353 a/ (8,161 b/	6,701	19,215
1963	(4,077 a/ (est.)	7,200 (est.)	22,867 (est.)
1964	2,000 a/ 13,601 b/	Not available	--

a/ Special Foreign Currency Appropriation.
b/ Salaries and Expenses Appropriation.

Dollar costs of the Foreign Agricultural Service in direct support of the market development program were $335,000 in 1962, and are estimated to amount to $225,000 in 1963 and $405,000 in 1964.

The following Table 1 shows actual obligations by country in dollar equivalents of foreign currencies, including obligations under the Special Foreign Currency Program appropriation, from the beginning of the program through fiscal year 1962, under sections 104(a) (f) and (m) of Public Law 480. Also shown are actual obligations, stated in dollars, for market development activities from the regular Salaries and expenses appropriation for fiscal year 1962. The estimated obligations for 1963 and 1964 are shown divided according to the Special foreign currency program appropriation and the Salaries and expenses appropriation.

Table 1. Obligations under Section 104(a), (f) and (m) of Public Law 480 and Comparable Market Development Obligations to be Financed with Dollars.

Country	Actual Obligations from Beginning of Program thru FY 1962		Estimated Obligations FY 1963		Estimated Obligations FY 1964	
	Dollar equivalent of foreign currencies and Special Foreign Currency Appropriation	Salaries and Expenses Appropriation	Appropriation		Appropriation	
			Special Foreign Currency Program	Salaries and Expenses	Special Foreign Currency Program a/	Salaries and Expenses
Afghanistan	$ 7,875	--	--	--	--	--
Argentina	219,920	--	$ 32,888	$ 15,000	--	$ 25,000
Australia	2,213	$ 21,508	3,478	--	--	48,000
Austria	969,486	--	31,737	160,000	--	212,000
Belgium	468,414	647,256	276	926,000	--	638,000
Bolivia	--	--	--	--	--	19,000
Brazil	918,761	157,000	21,127	234,000	--	80,000
Canada	--	97,205	--	100,000	--	189,000
Ceylon	102,754	--	3,004	--	--	--
Chile	353,314	--	17,003	84,000	--	153,000
Colombia	1,305,219	--	28,459	260,000	--	256,000
Costa Rica	5,008	--	165	--	--	--
Denmark	195,485	120,473	2,355	161,000	--	405,000
Ecuador	170,346	--	65,119	73,000	--	59,000
El Salvador	2,998	--	--	--	--	--
Ethiopia	--	--	--	--	--	19,000
Finland	392,779	10,000	8,326	157,000	--	121,000
France	4,204,083	605,000	61,265	282,000	--	797,000
Germany, West	2,698,420	986,867	15,625	1,147,000	--	1,698,000
Ghana	33,801	10,104	2	--	--	79,000
Greece	1,378,279	--	2,922	143,000	--	173,000

Country	Actual Obligations from Beginning of Program thru FY 1962		Estimated Obligations FY 1963		Estimated Obligations FY 1964	
	Dollar equivalent of foreign currencies and Special Foreign Currency Appropriation	Salaries and Expenses Appropriation	Appropriation		Appropriation	
			Special Foreign Currency Program	Salaries and Expenses	Special Foreign Currency Program a/	Salaries and Expenses
Guatemala	$ 56,285	--	$ 4,638	--	--	--
Honduras	2,998	--	--	--	--	--
Hong Kong	35,524	$ 60,000	210	$ 144,000	--	$ 19,000
Iran	197,323	193,000	45	146,000	--	131,000
Ireland	19,991	1,150	132	--	--	45,000
Italy	3,579,337	680,292	15,598	1,026,000	--	1,248,000
Jamaica	60,400	--	4,645	--	--	--
Japan	5,665,123	1,054,000	6,595	1,728,000	--	1,483,000
Jordan	--	--	--	--	--	11,000
Korea	130,249	--	15,358	18,000	--	--
Lebanon	--	--	--	--	--	11,000
Liberia	--	--	--	27,000	--	--
Luxembourg	--	--	--	--	--	10,000
Malaya	40,303	--	58,395	--	--	64,000
Mexico	485,511	22,635	17,080	90,000	--	54,000
Netherlands	1,113,895	705,000	1,190	1,367,000	--	1,076,000
Nicaragua	1,865	--	--	--	--	--
Nigeria	54,906	--	1,997	141,000	--	93,000
Norway	162,860	52,140	8,918	179,000	--	122,000
Panama	7,195	60,000	903	79,000	--	--
Paraguay	--	--	--	--	--	15,000
Peru	945,055	79,502	25,360	373,000	--	285,000
Philippines	491,963	100,000	4,892	191,000	--	67,000
Portugal	255,903	--	25,238	11,000	--	47,000
So. Africa, Rep. of	6,775	--	6,917	--	--	135,000
Spain	2,654,666	173,059	33,407	247,000	--	708,000
Sudan	8,863	--	993	--	--	--
Sweden	316,086	162,567	1,470	147,000	--	180,000

Country	Actual Obligations from Beginning of Program thru FY 1962: Dollar equivalent of foreign currencies and Special Foreign Currency Appropriation	Actual Obligations from Beginning of Program thru FY 1962: Salaries and Expenses Appropriation	Estimated Obligations FY 1963 Appropriation: Special Foreign Currency Program	Estimated Obligations FY 1963 Appropriation: Salaries and Expenses	Estimated Obligations FY 1964 Appropriation: Special Foreign Currency Program a/	Estimated Obligations FY 1964 Appropriation: Salaries and Expenses
Switzerland	$ 1,115,478	$ 413,000	$ 6,193	$ 1,288,000	--	$1,412,000
Syrian Arab Republic	15,000	--	41,000	--	--	17,000
Thailand	957,641	100,000	125,584	19,000	--	22,000
Tunisia	--	--	--	10,000	--	22,000
Turkey	497,883	--	168,889	135,000	--	70,000
United Kingdom	1,331,424	683,890	67,455	1,375,000	--	1,103,000
United States	--	865,060	--	--	--	--
Uruguay	34,146	--	47,759	19,000	--	25,000
Venezuala	193,807	100,000	26,103	99,000	--	155,000
Sub-total	33,867,610	8,160,708	1,010,715	12,601,000	--	13,601,000
Currencies determined to be excess to normal U.S. requirements in fiscal year 1964.						
Burma	531,146	--	166,000	--	$ 86,000	--
India	2,887,680	--	600,000	--	635,000	--
Indonesia	146,190	--	256,000	--	113,000	--
Israel	713,725	--	516,000	--	430,000	--
Pakistan	1,210,124	--	600,000	--	325,000	--
Poland	657,778	--	128,000	--	144,000	--
U.A.R. - Egypt	512,771	--	700,000	--	131,000	--
Yugoslavia	911,238	--	100,000	--	136,000	--
Sub-total	7,570,652	--	3,066,000	--	2,000,000	--
total 104(a)	41,438,262	8,160,708	4,076,715	12,601,000	2,000,000	13,601,000
total 104(f)	109,767	--	--	--	--	--
total 104(m)	1,825,222	--	--	--	--	--
Grand Total	43,373,251	8,160,708	4,076,715	12,601,000	2,000,000	13,601,000

a/ From unobligated balances carried forward from 1963.

SUMMARY:	Cumulative obligations through 1962	Estimated obligations 1963	Estimated obligations 1964
104(a)			
Non-excess currency countries	$42,028,318	$13,611,715	$13,601,000
Excess currency countries	7,570,652	3,066,000	2,000,000
total 104(a)	49,598,970	16,677,715	15,601,000
total 104(f)	109,767	--	--
total 104(m)	1,825,222	--	--
Grand Total	51,533,959	16,677,715	15,601,000

In accordance with the proposals in the 1964 budget, the amounts (with comparability adjustments for 1962 and 1963) would be distributed by appropriation as follows:

	Cumulative through 1962	1963	1964
Regular Salaries and Expenses appropriation	$42,028,318	$13,611,715	$13,601,000
Special Foreign Currency appropriation	7,570,652	3,066,000	2,000,000
Agricultural and Horticultural Exhibitions (to be financed after 1961 by appropriation to U. S. Information Agency)	1,825,222	--	--
Travel of U. S. Agricultural Specialists abroad	109,767	--	--
Grand Total	$51,533,959	$16,677,715	$15,601,000

Table 2. Obligations by Commodities and Miscellaneous Projects and Contributions by Cooperators from the Beginning of the Market Development Program through June 30, 1962

(stated in approximate dollar equivalents and dollars)

(Rounded to dollars)

Commodity or Project	FAS Obligations	Contributions		Total
		U. S. Cooperators	Foreign Cooperators or Other	
Cotton	$10,335,343	$ 1,102,672	$ 8,278,567	$19,716,582
Dairy and Poultry	4,273,555	1,609,100	17,875	5,900,530
Fats and Oils	5,316,205	2,337,955	680,520	8,334,680
Fruits and Vegetables	1,229,230	1,123,017	--	2,352,247
Grain and Feed	9,526,756	3,190,851	452,992	13,170,599
Livestock and Meat	966,286	260,804	510,908	1,737,998
Tobacco	3,548,016	1,636,209	2,068,176	7,252,401
Trade Fairs	8,362,047	--	--	8,362,047
Other Projects and Surveys	2,260,595	--	--	2,260,595
Post Operating Expenses	3,780,937	--	--	3,780,937
Total 104(a)	49,598,970	11,260,608	12,009,038	72,868,616
Total 104(f)	109,767	--	--	109,767
Total 104(m)	1,825,222	--	--	1,825,222
Grand Total	51,533,959	11,260,608	12,009,038	74,803,605
Special Foreign Currency Program	7,570,652	--	--	7,570,652
Salaries and Expenses	42,028,318	--	--	42,028,318
Total 104(f)	109,767	--	--	109,767
Total 104(m)	1,825,222	--	--	1,825,222
Grand Total	51,533,959	--	--	51,533,959

3. Statement of Activities under Public Law 480: This statement describes the activities and shows the progress for the following:

I. Sale of commodities for foreign currencies under Title I of Public Law 480 (Agricultural Trade Development and Assistance Act).

II. Grants of commodities to friendly peoples for famine relief and other assistance under Title II of Public Law 480.

III. Sale of commodities on long-term dollar credit basis under Title IV of Public Law 480.

Uses by agencies of the Department of Agriculture of foreign currencies derived from sales under Title I are discussed elsewhere in these Explanatory Notes, as follows:

a. Market development projects under Section 104(a) are included in the justifications of the Foreign Agricultural Service.

b. Marketing and utilization research abroad under Section 104(a) and agricultural forestry, and marketing research under Section 104(k) are discussed in the justifications of the Agricultural Research Service.

I. Sale of Commodities for Foreign Currencies under Title I of Public Law 480

1. Authority: Title I of the Agricultural Trade Development and Assistance Act, Public Law 480, as amended, authorizes the President until December 31, 1964, to enter into agreements with friendly nations providing for the sale of surplus commodities for foreign currencies. In negotiating such agreements the President is required, among other things, to take reasonable precautions to safeguard usual marketings of the United States and to assure that sales for foreign currencies will not unduly disrupt world prices or normal patterns of commercial trade with friendly countries, to take appropriate steps to assure the use of private trade channels, and to give special consideration to the development and expansion of demand abroad for agricultural commodities. The legislation authorizes the Secretary of Agriculture to determine the nations with whom agreements shall be negotiated and to determine the commodities and quantities which may be included in such negotiations and agreements. The President is authorized to use, in agreement with the country concerned, foreign currencies accruing from Title I sales for various purposes set forth in Section 104 of P.L. 480, as amended.

2. Total Program Agreements: Since the inception of the program through November 30, 1962, a total of 334 agreements, or supplements to agreements, were entered into with 44 friendly governments.

Their total value based on costs to the Commodity Credit Corporation is estimated at $11,726.4 million with an export market value of $7,913.3 million, both exclusive of ocean transportation costs of $984.4 million to be financed by CCC. CCC is reimbursed for its costs by appropriation and P. L. 480 provides a cumulative dollar limit of $11.25 billion to reimburse CCC for Title I transactions through December 31, 1961 and an additional $4.5 billion through December 31, 1964. The commodity composition of the agreements signed July 1, 1954, through November 30,1962, at export market value and CCC cost, is summarized in the following tabulation.

Commodity	Unit	Approximate quantity	Export Market value	Estimated CCC Cost
			Million dollars	Million dollars
Wheat and wheat flour	Bu.	1/ 2,754,026,000	4,547.5	7,456.0
Feed grains	do.	2/ 408,247,000	482.5	591.8
Rice	Cwt.	78,714,000	451.3	745.3
Cotton	Bale	3/ 7,541,900	1,126.0	1,585.0
Cotton linters	do.	7,000	.3	.3
Meat products	Lb.	113,193,000	38.1	38.1
Tobacco	do.	368,312,000	268.1	268.1
Dairy products	do.	450,824,000	74.9	110.2
Fats and oils	do.	6,764,639,000	893.7	900.7
Poultry	do.	24,786,000	7.7	7.7
Dry edible beans and peas	Cwt.	599,000	4.7	4.7
Fruits and vegetables	Lb.	196,123,000	18.1	18.1
Seeds	Cwt.	10,000	.4	.4
Total commodities			7,913.3	11,726.4
Ocean transportation to be financed by CCC			984.4	984.4
Total, including ocean transportation			8,897.7	12,710.8

1/ Wheat and wheat equivalent of flour.

2/

	Thous. bu.
Corn	206,142
Oats	6,807
Barley	137,562
Grain sorghums	52,999
Rye	4,737
	408,247

3/ Includes 72,800 bales extra-long staple cotton.

3. Shipments: About $5,579 million worth or approximately 83% of these Title I commodities at export market value had been shipped as of June 30, 1962. About $934 million of this amount represented shipments during the fiscal year 1961, and about $1,015 million during fiscal year 1962. Shipments for the 1962 fiscal year were up about 8.6% from the level reached in the fiscal year 1961.

The value of Title I shipments represented about 20% of the total value of U. S. agricultural exports during the fiscal year 1962. In terms of quantities, Title I wheat exports comprised over 54% of total wheat exports during the fiscal year 1962; rice 42%; and cottonseed oil and soybean oil 21%.

Shipments of wheat and flour under Title I, amounted to a record 387 million bushels during fiscal year 1962. Shipments of corn also set a new record. Shipments under all Public Law 480 programs reached a record total of $1.6 billion during fiscal year 1962. Dollar exports also set a record of $3.5 billion bringing total exports of United States agricultural commodities to $5.1 billion.

4. Progress in Negotiating Agreements: During fiscal year 1962, 64 agreements and amendments were entered into with 26 countries. During the first five months of the fiscal year 1963, 24 agreements and amendments were entered into with 19 countries. The programing was marked by a hardening of the Public Law 480 programs in general which resulted in (1) a continued shift from foreign currency sales under Title I, to long-term credit under Title IV, or to cash dollar sales wherever possible, (2) a decrease in the size and number of Title I grants, (3) a provision in Title I agreements to insure that the exchange rate used for the deposit of local currency will not be less favorable than the USDO selling rate, and (4) the strengthening of Title I operating procedures.

Title I programs have been successfully developed for a number of newly independent nations, particularly in Africa. Title I agreements were signed during fiscal year 1962 for the first time with the Congo, Morocco, Guinea, Sudan and Tunisia.

Renewed emphasis on advance programing under Title I, Public Law 480, resulted in the signing of multi-year agreements valued at CCC cost with Pakistan -- $808 million, Guinea -- $11.4 million, UAR -- $390 million, Republic of China (Taiwan) -- $52 million, and Indonesia -- $136 million of which about $100 million is for multi-year delivery. In addition, delivery of commodities under the India, May 4, 1960, agreement continues into fiscal year 1963 and fiscal year 1964.

5. Progress in Tightening Program Operations: Considerable progress was made in bringing about a general tightening of the Title I operations which was necessary because of (1) the addition of newly independent nations not familiar with United States commercial practices, (2) the wider participation of exporters not familiar with Title I operations and, (3) the general expansion in Title I operations.

To provide for a more orderly scheduling of contracting and delivery, purchase authorizations are now being issued for smaller quantities and with shorter contracting and delivery periods. Additional quantities are not authorized until the original authorization has been utilized and requests for extension of delivery periods beyond the date originally provided are not considered unless the delay is due to circumstances beyond the control of the exporter or importer. All commodities, except cotton, are now inspected at ports by or under the supervision of AMS, and weighed or check weighed at port. In the case of cotton, a new requirement was developed during fiscal year 1962 and subsequently made effective, which provides that at least 10 percent of the cotton be sampled by AMS in the warehouse prior to shipment to port. This is in addition to the previous requirement for inspection, weights, and arbitration, after arrival in importing countries. Safeguards have been included in purchase authorizations for packaged commodities sold under brand-name labels to assure that such labels show only bonafide United States brand names and that the label clearly indicates that the product was produced and processed in the United States.

Program Results: Table I shows the commodity composition of the agreements entered into from the inception of the program through June 30, 1962, in terms of dollar amounts, and Table II, the approximate quantities.

II. Grants of Commodities to Friendly Peoples for Famine Relief and Other Assistance Under Title II of Public Law 480

1. Legislative Authority: The Department cooperated with the Agency for International Development (formerly ICA) in the review and clearance of all proposals for use of commodities pursuant to Title II of Public Law 480. Under this title the President is authorized to furnish, out of Commodity Credit Corporation stocks and on a grant basis, surplus agricultural commodities to friendly governments or peoples, to assist in meeting famine, or other urgent or extraordinary relief requirements, or to assist programs undertaken with friendly governments or through voluntary relief agencies. Programs of assistance are authorized over a 10 1/2 year period ending December 31, 1964, with a total authorization of $2.3 billion to cover the CCC cost of commodities and for other costs including ocean transportation for these commodities and those donated under Title III of the Act. Reasonable precautions must be taken to assure that these transfers will not displace or interfere with sales that might otherwise be made. CCC is reimbursed for its costs by appropriations.

TABLE I. --Commodity composition of programs under Title I, Public Law 480 agreements signed July 1, 1954 through November 30, 1962

Country	Wheat and flour	Feed grains	Rice	Cotton	Tobacco	Dairy products	Fats and oils	Other	Total			
									Market value	Ocean transportation 1/	Market value including O.T.	Estimated CCC cost including O.T.
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
Argentina	--	--	.3	--	--	--	29.6	--	29.9	.8	30.7	35.9
Austria	6.9	15.7	--	9.5	4.8	--	2.4	.2	39.5	3.3	42.8	60.1
Bolivia	8.5	--	.6	1.1	--	--	--	--	10.2	1.3	11.5	16.7
Brazil	334.9	2.4	--	--	.7	1.9	4.1	--	344.0	43.7	387.7	600.1
Burma	--	--	--	42.2	3.9	2.1	--	.1	48.3	1.9	50.2	69.0
Ceylon	14.0	--	11.7	--	--	--	--	--	25.7	4.0	29.7	42.2
Chile	29.5	1.7	--	14.1	1.9	--	18.5	.4	66.1	5.9	72.0	96.6
China (Taiwan)	97.3	1.5	--	25.9	9.4	1.6	10.7	--	146.4	15.6	162.0	223.3
Colombia	35.0	4.1	--	11.9	1.6	.4	9.4	--	62.4	6.9	69.3	91.0
Congo	4.6	1.1	3.5	--	1.2	5.4	--	1.0	16.8	2.0	18.8	23.6
Ecuador	2.9	--	--	1.1	1.8	--	5.1	--	10.9	.8	11.7	14.0
Finland	10.5	2.3	--	12.0	14.3	--	--	2.7	41.8	2.1	43.9	57.4
France	--	--	--	23.0	12.6	--	--	--	35.6	.1	35.7	47.2
Germany	--	--	--	--	--	--	--	1.2	1.2	--	1.2	1.2
Greece	32.4	41.3	--	--	--	4.4	19.9	--	98.0	11.6	109.6	141.3
Guinea	3.0	--	6.2	--	--	.1	.2	--	9.5	1.2	10.7	15.5
Iceland	3.7	3.2	.3	.9	2.7	--	.6	1.4	12.8	1.1	13.9	16.4
India	1,630.6	35.1	165.3	228.8	11.3	8.0	1.0	.1	2,080.2	354.5	2,434.7	3,811.6
Indonesia	29.6	--	114.7	94.4	27.4	--	--	--	266.1	23.2	289.3	433.3
Iran	38.4	--	--	--	--	.8	2.8	--	42.0	9.5	51.5	77.0
Israel	68.8	69.8	2.3	5.6	1.2	17.5	23.8	11.5	200.5	21.9	222.4	304.5
Italy	1.5	4.8	--	76.9	20.4	--	36.4	2/	140.0	4.6	144.6	184.3
Japan	47.9	13.3	13.7	52.5	7.6	--	--	--	135.0	13.5	148.5	201.6
Korea	121.8	44.1	24.2	100.5	6.6	.3	5.1	8.0	310.6	30.2	340.8	463.1
Mexico	--	24.6	--	--	--	--	--	--	24.6	1.0	25.6	41.2
Morocco	12.7	--	--	.8	.3	--	6.0	--	19.8	2.2	22.0	30.0
Netherlands	--	--	--	.2	--	--	--	--	.2	2/	.2	.3
Pakistan	571.9	23.6	78.5 3/	50.9	17.8	7.6	175.9	.4	926.6	139.4	1,066.0	1,465.6
Paraguay	10.1	--	--	--	--	.4	.5	--	11.0	2.1	13.1	19.8
Peru	22.7	--	6.6	--	--	.2	1.8	2/	31.3	2.7	34.0	54.1
Philippines	--	--	5.8	25.8	--	1.7	.4	2/	33.7	2.1	35.8	53.2
Poland	179.6	66.0	1.5	107.9	1.5	3.3	33.9	--	393.7	31.9	425.6	591.6
Portugal	6.3	--	--	--	--	--	--	--	6.3	.9	7.2	13.5
Spain	4/ 18.8	40.7	-- 5/	119.6	24.9	--	247.2	19.1	470.3	24.6	494.9	557.1
Sudan	3.8	--	--	--	--	--	--	--	3.8	.8	4.6	6.8
Syrian Arab Republic	26.7	4.6	1.5	--	.2	--	--	--	33.0	5.3	38.3	56.1
Thailand	--	--	--	--	3.9	.2	--	--	4.1	.2	4.3	4.4
Tunisia	20.2	4.5	--	--	--	--	4.8	--	29.5	4.3	33.8	46.2
Turkey	215.8	20.4	3.5	--	--	2.2	98.2	6.6	346.7	39.4	386.1	543.1
United Arab Republic	532.4	47.7	5.3	--	28.5	.3	74.7	2.5	691.4	93.1	784.5	1,097.9
United Kingdom	--	--	--	--	38.0	--	--	10.1	48.1	.4	48.5	48.5
Uruguay	14.0	10.0	--	11.7	8.0	--	--	--	43.7	4.3	48.0	63.1
Viet-Nam	10.5	--	5.8	17.6	15.6	16.0	--	--	65.5	5.8	71.3	90.3
Yugoslavia	380.2	--	--	91.4	--	.5	80.7	3.7	556.5	64.2	620.7	901.1
Total	4,547.5	482.5	451.3	1,126.3	268.1 7/	74.9 8/	893.7 9/	69.0	7,913.3	984.4	8,897.7	12,710.8

FOOTNOTES: -- TABLE I.

1/ Includes only ocean transportation to be financed by CCC.
2/ $50,000 or less.
3/ Includes $16 million extra-long staple.
4/ $4.4 million of wheat sold to Spain for resale to Switzerland for financing procurement of Swiss goods by Spain.
5/ Includes $0.3 million, cotton linters; $6.6 million, extra-long staple.

6/

	Mil. dol.
Corn	263.2
Oats	5.3
Barley	151.6
Grain sorghums	56.5
Rye	5.9
Total	482.5

7/

	Mil. dol.
Condensed milk	17.6
Dry whole milk	5.4
Nonfat dry milk	19.2
Evaporated milk	9.1
Butter, butter oil and/or ghee	18.1
Cheese	4.8
Whey	.1
Dried eggs	.6
Total	74.9

8/

	Mil. dol.
Cottonseed oil and/or soybean oil	800.9
Linseed oil	1.1
Lard	25.8
Tallow and/or grease	65.9
Total	893.7

9/

	Mil. dol.
Fruit	
Austria, Burma, Congo, Finland, Iceland, India, Israel, United Kingdom, Yugoslavia	16.7
Seeds	
Chile	.4
Potatoes	
Spain	1.4
Poultry	
Germany, Italy, Turkey, Spain, United Arab Republic, Congo, Pakistan	7.7
Beef	
Spain, Israel	28.1
Pork	
Korea, Spain	10.0
Beans and peas	
Israel, Spain, Yugoslavia	4.7
Total	69.0

TABLE II. --Approximate quantities of commodities under Title I, Public Law 480 agreements signed July 1, 1954 through November 30, 1962

Country	Wheat and flour	Feed grains	Rice	Cotton	Tobacco	Dairy products	Fats and oils	Poultry	Beans and peas	Fruits and vegetables	Meat	Hay and pasture seeds
	1,000 bushels	1,000 bushels	1,000 cwt.	1,000 bales	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 cwt.	1,000 pounds	1,000 pounds	1,000 cwt.
Argentina	--	--	60	--	--	--	208,716	--	--	--	--	--
Austria	4,055	11,605	--	63.7	7,425	--	19,449	--	--	1,299	--	--
Bolivia	5,539	--	110	6.7	--	--	--	--	--	--	--	--
Brazil	197,249	1,821	--	--	312	3,533	23,715	--	--	--	--	--
Burma	--	--	--	278.8	5,047	11,893	99	--	--	808	--	--
Ceylon	9,792	--	1,985	--	--	--	--	--	--	--	--	--
Chile	18,044	1,357	--	89.2	1,992	--	118,370	--	--	--	--	10
China (Taiwan)	56,655	1,286	--	194.1	10,995	5,143	109,452	--	--	--	--	--
Colombia	20,502	3,115	--	71.5	1,610	2,185	67,850	--	--	--	--	--
Congo	7,335	790	528	--	2,282	19,678	--	3,089	--	992	--	--
Ecuador	1,577	--	--	7.5	1,975	--	33,271	--	--	--	--	--
Finland	5,881	1,458	--	74.5	25,699	--	--	--	--	18,728	--	--
France	--	--	--	163.1	19,268	--	--	--	--	--	--	--
Germany	--	--	--	--	--	--	--	4,542	--	--	--	--
Greece	19,977	34,352	--	--	--	36,691	129,338	--	--	--	--	--
Guinea	1,323	--	1,102	--	--	551	1,323	--	--	--	--	--
Iceland	2,084	2,205	36	5.5	2,800	--	4,094	--	--	12,237	--	--
India	994,449	28,818	30,822	1,629.9	11,354	75,492	8,052	--	--	882	--	--
Indonesia	19,296	--	19,995	673.9	41,780	--	--	--	--	--	--	--
Iran	21,668	--	--	--	--	1,630	19,525	--	--	--	--	--
Israel	40,797	61,578	432	33.0	1,638	99,450	182,205	--	1/ 193	709	24,758	--
Italy	896	3,703	--	508.8	25,848	--	253,891	30	--	--	--	--
Japan	30,979	11,094	2,142	319.3	9,791	--	--	--	--	--	--	--
Korea	72,036	40,096	3,030	622.7	8,486	1,210	52,872	--	--	--	15,041	--
Mexico	--	18,995	--	--	--	--	--	--	--	--	--	--
Morocco	7,349	--	--	5.0	417	--	47,399	--	--	--	--	--
Netherlands	--	--	--	1.8	--	--	--	--	--	--	--	--
Pakistan	348,099	19,684	13,433	2/ 265.6	18,833	37,045	1,274,545	1,102	--	--	--	--
Paraguay	5,658	--	--	--	--	917	3,521	--	--	--	--	--
Peru	13,184	--	1,137	--	--	773	16,334	--	--	--	--	--
Philippines	--	--	928	172.3	--	15,424	4,663	--	2	--	--	--
Poland	109,865	58,638	221	740.7	2,000	37,106	305,148	--	--	--	--	--
Portugal	3,879	--	--	--	--	--	--	--	--	--	--	--
Spain	3/ 11,305	35,230	--	4/ 760.1	32,749	--	1,771,678	1,631	181	50,822	58,787	--
Sudan	2,388	--	--	--	--	--	--	--	--	--	--	--
Syrian Arab Republic	16,965	4,180	273	--	250	--	--	--	--	--	--	--
Thailand	--	--	--	--	5,439	818	--	--	--	--	--	--
Tunisia	11,619	3,829	--	--	--	--	44,092	--	--	--	--	--
Turkey	127,028	17,600	608	--	--	8,596	662,855	6,833	--	--	14,607	--
United Arab Republic	328,566	38,350	905	--	43,923	4,501	760,007	7,559	--	--	--	--
United Kingdom	--	--	--	--	52,905	--	--	--	--	88,944	--	--
Uruguay	7,430	8,463	--	84.7	8,477	--	--	--	--	--	--	--
Viet-Nam	7,090	--	967	111.4	25,017	82,747	--	--	--	--	--	--
Yugoslavia	223,467	--	--	658.1	--	5,441	642,175	--	223	20,702	--	--
Total	2,754,026	5/ 408,247	78,714	7,541.9	368,312	450,824	7/ 6,764,639	24,786	599	8/ 196,123	9/ 113,193	10

FOOTNOTES--TABLE II.

1/

	Thous. cwt.
Beans	149
Peas	44
Total	193

2/ Includes 51,700 bales extra-long staple.

3/ Includes 2,598,000 bushels of wheat sold to Spain for resale to Switzerland for financing procurement of Swiss goods by Spain.

4/ Includes 7,000 bales cotton linters and 21,100 bales extra-long staple.

5/

	Thous. bu.
Corn	206,142
Oats	6,807
Barley	137,562
Grain sorghums	52,999
Rye	4,737
Total	408,247

6/

	Thous. lb.
Condensed milk	90,055
Dry whole milk	10,955
Nonfat dry milk	223,506
Evaporated milk	64,187
Butter, butter oil and/or ghee	40,534
Cheese	19,145
Whey	2,001
Dried eggs	441
Total	450,824

7/

	Thous. lb.
Cottonseed oil and/or soybean oil	5,700,213
Linseed oil	7,492
Lard	182,870
Tallow and/or grease	874,064
Total	6,764,639

8/ All fruit except Spain which is potatoes.

9/

	Thous. lb.
Israel, frozen beef	24,758
Korea, canned pork	15,041
Spain, canned hams	2,403
fat backs	2,547
frozen beef and variety meats	53,837
Turkey, frozen beef	14,607
Total	113,193

2. Shipments Authorized: Through June 30, 1962, shipments authorized approximated $1,141 million, including ocean transportation costs of $261 million, of which about two-thirds are for ocean freight on Title III donations. Transfer authorizations were issued for the following agricultural commodities: $667 million in bread and coarse grains, $38 million in fats and oils, $19 million in raw cotton, $98 million in milk and milk products, $52 million in rice, and $6 million in dry beans. (See Table III)

3. Program Highlights: (a) Disaster Relief: Due to a severe drought in Turkey 80,000 tons of wheat valued at $15.5 million was authorized for distribution to over a million famine sufferers in three provinces in the Eastern part of the country. About 50,000 tons of wheat, wheat flour and barley valued at $8.2 million were supplied to about half a million persons in Iran suffering from acute famine conditions.

Since 1959, drought conditions in Cyprus have intensified the poverty of the people and has decimated livestock numbers. To alleviate the situation of the approximately 50,000 families affected, 40,000 tons of wheat valued by CCC at $7.9 million has been shipped.

(b) Refugees: Since 1960, between 6,000 and 8,000 Ghanaians have migrated to neighboring Togo because of adverse political conditions. To alleviate the plight of these refugees, 504 tons of cornmeal, dry beans, and edible oil, valued at $104,000 has been supplied. The Palestine conflict in 1947-48 resulted in hundreds of thousands of people leaving their homes and taking refuge in areas which now form part of Jordan and the Gaza Strip; others went to Syria and Lebanon. The United Nations Relief and Works Agency (UNRWA) was established to give assistance to about one million Palestine refugees. As part of its contribution, the United States authorized the transfer of 4,200 tons of vegetable oil, valued by CCC at $3 million to UNRWA during the January-June 1962 period.

The prolonged civil conflict in Algeria has resulted in extreme hardship and suffering for hundreds of thousands of persons, many of whom were forced to leave their homes and occupations. Of these, about two million have been held in regroupment centers where their subsistence is being provided by French authorities. Over one-half million persons in the centers are almost entirely destitute. In addition, some 350,000 Algerians who fled to Morocco and Tunisia during the years of the conflict will be repatriated. To meet the food requirements of the Algerians, the United States has authorized shipments of about 31,000 tons of wheat, wheat flour, dry beans, edible oil and nonfat dry milk valued by CCC at $6.4 million.

(c) Child Feeding: U. S. foods now reach about 34.7 million children in child feeding programs around the world. Of this total, 28.9 million children are benefiting through Title III programs

administered by U. S. voluntary agencies in 86 countries. Title II programs administered by the Governments of Brazil, Italy, Peru and Tunisia reach about 5.8 million children and nearly 200,000 nursing mothers and pregnant women. During January-June 1962, 40,000 tons of nonfat dry milk, valued by CCC at $21.7 million will be provided to the Government of Brazil over a two-year period. One half of the total quantity authorized will be used to provide 3 million school children with one glass of milk daily during the school term. The remaining 20,000 tons will be distributed to an estimated 885,000 pregnant and nursing mothers, infants and children of pre-school age.

Following completion in December 1961, of a pilot school feeding program, the Government of Peru will receive for the 1962 school year, about $2.3 million of wheat flour, cornmeal, edible oil, bulgur, and nonfat dry milk to help provide school lunches for some 175,000 children. Nonfat dry milk and wheat, valued at $1.8 million, will assist the joint Tunisian-U. S. child feeding program now in its fifth year. This program reaches 140,000 needy children in primary schools and 115,000 in out-of-school or community child feeding programs.

(d) Economic Development: During January-June 1962, economic development programs totaling $2.4 million at CCC cost were initiated in cooperation with the Governments of Bolivia, Brazil, India, and St. Lucia. In addition, for the first time since the Congress first authorized grants of U. S. agricultural commodities to assist in promoting economic development, two programs totaling $257,000 at CCC cost were undertaken in Ecuador through a voluntary relief agency. The wheat, bulgur, cornmeal, shortening, and nonfat dry milk shipped to Ecuador will assist a CARE-sponsored pilot program of self-help voluntary community activities in ten provinces of the Ecuadorian Sierras. Projects include construction of schools and houses, road building, irrigation canals, earth dams, wells, school gardens, and recreation fields. About 15,000 unemployed or underemployed Indians in the 200 communities will receive a daily ration adequate for himself and family. Work is on a rotating basis with representation from each family within the community.

TABLE III.--Transfer authorizations issued under Title II, Public Law 480, July 1, 1954 through June 30, 1962

(In thousands of dollars)

Area and Country	Total	Ocean Transportation	Total Commodities	Commodities						
				Bread Grains	Coarse Grains	Fats and Oils	Dry Beans	Milk and Milk Products	Rice	Raw Cotton
Europe (total)	186,408	4,995	181,413	80,576	35,285	14,818	1,592	39,971	730	8,441
Austria	28,391	2,642	25,749	149	25,589	—	—	11	—	—
Czechoslovakia	1,995	—	1,995	—	1,995	—	—	—	—	—
Germany, Federal Republic	3,365	—	3,365	236	686	911	—	367	171	994
Germany, Soviet Occupied	758	—	758	236	380	81	—	—	61	—
Hungary	13,210	562	12,648	4,043	1,907	2,088	437	3,759	414	—
Italy	87,803	1,661	86,142	30,534	4,728	10,306	1,155	35,733	—	3,686
Spain	3,761	--	3,761	—	—	—	—	—	—	3,761
Yugoslavia	47,125	130	46,795	45,378	—	1,432	—	101	84	—
Africa (total)	271,749	30,349	241,400	165,524	56,461	2,392	434	9,273	7,316	—
Algeria	6,436	916	5,520	4,975	—	175	175	195	--	—
Congo	11,792	1,901	9,891	5,083	461	—	83	1,865	2,399	—
Dahomey	1,599	303	1,296	405	398	—	—	47	446	—
Ethiopia	9,695	1,920	7,775	3,414	4,361	—	—	—	--	—
Ghana	605	—	605	—	605	—	—	—	--	—
Guinea	1,740	163	1,577	346	--	—	—	—	1,231	—
Kenya	9,413	1,232	8,181	—	6,371	650	—	1,160	--	—
Libya	27,457	2,335	25,122	16,891	8,231	—	—	—	--	—
Malagasy Republic	29	3	26	—	—	—	—	—	26	—
Morocco	75,607	7,151	68,456	55,064	12,000	295	69	220	808	—
Ruanda-Urundi	4,464	1,300	3,164	900	500	330	—	1,434	--	—
Somali Republic	3,551	890	2,661	—	2,461	200	—	—	--	—
Sudan	10	1	9	—	—	—	—	9	--	—
Tanganyika	11,822	1,537	10,285	--	9,255	—	—	1,030	--	—
Togo	2,489	541	1,948	—	1,185	742	21	—	--	—
Tunisia	104,650	10,091	94,559	78,446	10,308	—	86	3,313	2,406	—
Uganda	390	65	325	—	325	—	—	—	--	—
Near East & South Asia (total)	329,097	39,002	290,095	200,775	43,835	12,291	—	6,064	22,656	4,474
Afghanistan	41,756	1/ 6,902	34,854	34,854	—	—	—	—	--	—
Ceylon	9,289	1,123	8,166	4,821	—	—	—	—	3,345	—
Cyprus	16,074	1,733	14,341	13,440	901	—	—	—	--	—
Greece	3,577	249	3,328	3,328	—	—	—	—	--	—
India	9,220	898	8,322	2,717	—	—	—	1,939	3,666	—
Iran	20,173	3,823	16,350	9,370	6,980	—	—	—	--	—
Jordan	34,957	4,071	30,886	25,724	5,162	—	—	—	--	—

— Continued —

TABLE III --Transfer authorizations issued under Title II, Public Law 480, July 1, 1954 through June 30, 1962

(In thousands of dollars)

Area and Country	Total	Ocean Transportation 1/	Total Commodities	Commodities						
				Bread Grains	Coarse Grains	Fats and Oils	Dry Beans	Milk and Milk Products	Rice	Raw Cotton
Lebanon	16,795	1,282	15,513	14,750	763	—	—	—	—	—
Nepal	3,689	374	3,315	3,250	61	—	—	4	—	—
Pakistan	48,614	897	47,717	22,160	—	6,149	—	253	14,681	4,474
Syrian Arab Republic	27,533	5,050	22,483	18,015	4,468	—	—	—	—	—
Turkey	27,680	1,500	26,180	18,730	—	3,542	—	3,867	41	—
United Arab Republic	29,100	3,600	25,500	—	25,500	—	—	—	—	—
UNRWA (Palestine Refugees)	31,791	5,876	25,915	22,392	—	2,600	—	—	923	—
Yemen	8,849	1,624	7,225	7,224	—	—	—	1	—	—
Far East & Pacific (total)	82,534	4,793	77,741	47,815	4,878	395	—	8,136	13,279	3,238
Cambodia	2,343	—	2,343	—	—	—	—	—	2,343	—
China, Republic of	8,804	917	7,887	5,622	—	395	—	125	1,448	297
Hong Kong	1,014	173	841	—	—	—	—	—	786	55
Japan	36,992	35	36,957	28,946	—	—	—	8,011	—	—
Korea	22,138	2,479	19,659	12,521	4,272	—	—	—	—	2,866
Laos	839	—	839	—	—	—	—	—	839	—
Ryukyu Islands	8,330	962	7,368	—	606	—	—	—	6,762	—
Viet-Nam	2,074	227	1,847	726	—	—	—	—	1,101	20
Latin America (total)	69,312	6,147	63,165	16,933	12,211	2,265	3,093	21,295	4,840	2,528
Bolivia	17,544	273	17,271	10,147	1	1,148	16	407	3,024	2,528
Brazil	27,375	4,120	23,255	450	2,025	300	1,700	18,780	—	—
British Honduras	273	—	273	22	25	106	46	44	30	—
Costa Rica	212	—	212	—	37	68	51	—	56	—
Ecuador	257	29	228	139	29	30	—	30	—	—
Guatemala	3,238	—	3,238	—	3,238	—	—	—	—	—
Haiti	3,476	67	3,409	207	133	180	1,210	43	1,636	—
Honduras	211	—	211	—	59	—	70	—	82	—
Mexico	216	—	216	—	216	—	—	—	—	—
Peru	16,482	1,653	14,829	5,966	6,442	433	—	1,988	—	—
St. Lucia	8	2	6	—	6	—	—	—	—	—
Uruguay	20	3	17	2	—	—	—	3	12	—
Christmas Holiday	16,688	—	16,688	2,306	—	5,973	1,005	4,206	3,198	—
American Voluntary Relief Agencies and International Organizations (total)	9,554	—	9,554	—	—	—	—	9,554	—	—

— Continued —

TABLE III.--Transfer authorizations issued under Title II, Public Law 480, July 1, 1954 through June 30, 1962

(In thousands of dollars)

Area and Country	Total	Ocean Transportation 1/	Total Commodities	Commodities						
				Bread Grains	Coarse Grains	Fats and Oils	Dry Beans	Milk and Milk Products	Rice	Raw Cotton
Total 2/	965,342	2/ 85,286	880,056	513,929	152,670	38,134	6,124	98,499	52,019	18,681
Ocean Freight: Title III Foreign Donations	175,994	175,994								
Grand Total 2/	1,141,336	2/ 261,280	880,056							

1/ Including transportation to point of entry.
2/ Excludes approximately $22 million ocean freight for fiscal years 1955 and 1956 financed under the Mutual Security Act.

Through an experimental program undertaken with CARE, corn and grain sorghum, valued at $22,000, are being made available to an Ecuadorian milk plant in exchange for pasteurized fresh milk for distribution to two Maternal-Child Centers. On the Island of St. Lucia in the Eastern Caribbean, 50 tons of corn, valued by CCC at $7,500, are being used in a pilot swine breeding project.

Two thousand tons of corn, valued at $325,000, will be used over a two-year period in the Sao Paulo Province of Brazil in a research demonstration project to improve nutrition in livestock and poultry production. About 4,000 head of livestock will be used in conducting the research.

About 8,400 tons of wheat, valued at $1.9 million are being furnished to India to assist in restoring abandoned irrigation systems to some 40,000 acres of land in West Bengal. The wheat will be exchanged on an equivalent value basis for rice from existing stocks of the Government of India for uses as partial payment of wages to approximately 20,000 workers engaged on the projects. Other costs of the program, including cash wages to supplement payments-in-kind, are financed by the Indian Government.

III. Sale of Commodities on Long-term Dollar Credit Basis under Title IV of Public Law 480

1. Authority: Public Law 86-341, approved September 21, 1959, added Title IV to Public Law 480 providing for long-term supply and dollar credit sales of U. S. surplus agricultural commodities. Major objectives of this title are the use of such agricultural commodities and the financial resources made available through their sale on a deferred payment basis to assist in the economic development of friendly countries, and the expansion or maintenance of U. S. dollar exports of such commodities to such countries. Under this title the U. S. Government may enter into agreements with governments of friendly nations for delivery of U. S. surplus agricultural commodities for periods up to 10 years. Credit periods of up to 20 years are authorized.

2. Total Program Agreements: During the period since the enactment of Title IV in October 1959 through November 30, 1962, sales agreements under this title were negotiated with ten countries. The estimated export market value of commodities included in these agreements and related ocean transportation costs totals $109 million. The commodities, quantities, approximate export market values and estimated CCC costs are indicated in the following tabulation:

Commodity	Unit	Approximate Quantity	Export Market Value	Estimated CCC Cost
			(In Millions)	
Wheat and Flour 1/	Bu.	14,058,000	$ 24.4	$ 39.2
Feed Grains	Bu.	6,161,000	7.9	8.1
Rice 1/	Cwt.	1,690,000	10.9	16.4
Cotton	Bales	252,000	35.0	56.6
Dairy Products 1/	Pounds	11,243,000	1.2	2.7
Oils & Oil Seeds 1/ 2/	Pounds	119,334,000	15.6	15.6
Dry Edible Beans 1/	Cwt.	88,000	1.0	.5
Seeds	Cwt.	11,000		.5
Fruits & Vegetables 1/	Pounds	7,716,000	1/	1/
Livestock Products 1/	Pounds	1,543,000	1/	1/
Tobacco	Pounds	1,455,000	1.5	1.5
Total Commodities			1/$102.1	$147.1 1/
Ocean Transportation to be financed by CCC			6.9	8.0
Total, including ocean transportation			$109.0	$155.1

1/ Amendment of June 18, 1962, to Venezuelan agreement of May 17, 1962, provides for increasing quantities of these commodities by any proportion within a maximum of $5 million (market value), $4.6 million of which is estimated for commodities and $.4 million for ocean transportation costs. CCC Cost for these commodities is $6 million of which $.5 is for O/T.

2/ The Yugoslavia agreement provides for financing of soybeans and/or oilseed meal or cake and for purposes of this table quantities and values are included under "Oils and Oilseeds".

The commodity composition of the individual country sales agreements is set forth in Table IV.

3. Shipments: About $36 million worth (including applicable ocean transportation costs) or approximately 35% of these Title IV commodities at export market value had been shipped as of November 30, 1962.

4. Progress in Negotiating Agreements and Program Accomplishments: The first agreements under Title IV were signed during FY 1962. The agreements with Venezuela and Liberia are on a multi-year basis and will provide commodities over extended periods to permit these countries to undertake programs aimed at expanding food consumption and economic development in accordance with the Title IV objectives. In several instances the Title IV agreements represent implementation of USDA and Congressional objectives to shift the basis of PL 480 programming from foreign currency sales under Title I to a dollar basis under Title IV or to effect a transition to dollar sales by using Title IV in combination with Title I in the same country.

TABLE IV.--Commodity composition of programs under Title IV, Public Law 480 agreements signed July 1, 1961 through November 30, 1962

Country	Wheat and flour	Feed and Feed grains	Rice	Cotton	Tobacco	Dairy products	Oils and oil seeds	Other	Total			
									Market value	Ocean transportation 1/	Market value including O.T.	Estimated CCC cost including O.T.
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
Chile	10.9	.5	--	3.5	1.5	1.2	1.7	.5	19.8	1.2	21.0	31.8
China	--	--	--	--	--	--	8.0	--	8.0	.4	8.4	8.8
Domincan Republic	--	--	4.5	--	--	--	--	--	4.5	.5	5.0	6.6
El Salvador	1.8	--	--	--	--	--	--	--	1.8	.2	2.0	2.8
Ethiopia	--	--	--	1.3	--	--	--	--	1.3	.1	1.4	1.8
Liberia	.6	.8	6.4	--	--	--	--	--	7.8	.8	8.6	12.5
Peru	--	--	--	--	--	--	1.8	--	1.8	.2	2.0	2.0
Portugal	11.1	.8	--	--	--	--	--	--	11.9	1.3	13.2	20.9
Venezuela 2/3/	3/	5.8	3/	2.7	--	3/	3/	3/	13.1	0.8	13.9	16.6
Yugoslavia	--	--	--	27.5	--	--	4.1	.5	32.1	1.4	33.5	51.3
Total	24.4	7.9	3/ 10.9	35.0	1.5	3/ 1.2	3/4/ 15.6	3/ 1.0	102.1	6.9	109.0	155.1

1/ Includes ocean transportation to be financed by CCC.

2/ Excludes cancelled agreement of November 11, 1961.

3/ Amendment of June 18, 1962, to Venezuelan agreement of May 17, 1962, provides for increasing total value including ocean transportation by any amount up to $5 million, which may be applied in any proportion to the following commodities: grain and grain products, dairy products, fats and oils, dry edible beans and peas, livestock products, and fruits and vegetables.

4/
1.6	Tallow
3.5	Cottonseed and/or soybean oil
2.5	Soybean meal
8.0	Soybeans
15.6	

5/
Chile seeds	.5
Yugoslavia Beans	.5
	1.0

The effectiveness of using the Title IV authority in combination with Title I as a transitional step to cash dollar sales is illustrated in the case of Spain. In response to the Government of Spain's request for a $56 million program under Title I, the U. S. offered a combination program with a Title IV wheat component worth about $20 million in market value with $26 million worth of other commodities to be financed under Title I. This "package" program was negotiated on the basis that the Government of Spain could elect to purchase the wheat without Title IV financing but that the wheat could not be supplied under Title I. The Government of Spain chose to exercise this option with the result that the U. S. exported over 500,000 MT wheat to Spain for cash dollars.

All of the Title IV agreements represent an expansion or maintenance of U. S. dollar markets, while giving assistance to the economic development of the recipient country.

In the case of El Salvador the Title IV program was directed at assisting that country to maintain the U. S. historic share of its dollar wheat imports. A relatively short (5 years) credit period was extended in this case. The Title IV program was offered in lieu of a Title I program requested by the Government of El Salvador which was experiencing temporary balance of payments difficulties. In addition to providing this general financial assistance on a dollar basis, the use of this credit to provide funds for the Government of El Salvador to undertake a supervised agricultural credit program including expansion of livestock production is expected to lead to expansion of U. S. feed grain markets as well as dollar export of breeding stock in connection with expansion of livestock production.

Opening up new markets for surplus agricultural commodities is demonstrated in the case of the Venezuelan agreement, one of the three so-called Title IV "pilot programs", having as an objective the introduction of corn and other feed grains.

The Venezuelan agreement also illustrates the use of Title IV in assisting in the expansion of markets for human consumption. In November 1961 a Title IV agreement was signed with Venezuela, providing for a supply of commodities over a five-year period for use by Venezuela in expanding a public feeding program to provide low-cost nutritious meals for low income and needy persons. The November 1961 agreement was later voided and the principal provisions of the agreement were added by amendment to the agreement signed in May 1962 covering sale of the corn and 18,000 bales of cotton.

Under a three-year agreement with Liberia totaling $8.6 million, the U. S. will supply commodities and credit to assist Liberia in developing poultry and livestock production in order to

provide the increased protein meat food supplies essential to sustain an effective working force increasingly engaged in industrial activities. In addition to rice and wheat flour or bulgur wheat, the agreement includes mixed animal feeds needed for expansion of the poultry and livestock industry. The mixed feeds supply commitment under this agreement assures Liberia of the continuing availability of appropriate feed materials which are prerequisite to the successful development of poultry and livestock enterprises in that country. The credit will be used to finance port facilities for grain storage and handling, feed mixing facilities, and working capital necessary for Liberian agricultural producers and the private trade to expand poultry and livestock production. This in turn is expected to lead to an expansion of U.S. commercial feed grain exports. In addition, the Title IV sales agreement assures that the United States will maintain its historic cash dollar rice, wheat flour and mixed feed markets.

The Title IV agreement of $17.3 million with Yugoslavia includes 100,000 bales of cotton and provides for dollar repayment over 15 years. This is an example of the use of Title IV to expand cotton exports on a dollar basis and to facilitate a shift from Title I foreign currency to a dollar basis.

The Title IV program with Portugal was offered in lieu of a Title I program as requested by Portugal. Portugal will use the Title IV credit in major part for expansion of livestock production which in turn is in furtherance of U. S. market development objectives.

The funds resulting from the sale of commodities under the agreement with Peru will be used for economic and social development programs contemplated under the Alliance for Progress.

BARTER AND STOCKPILING

1. Exports Under Barter Program - The total value of agricultural exports under the barter program during fiscal year 1962 was approximately $195 million. The main agricultural commodities involved were wheat, corn, tobacco and grain sorghums.

   Following are some examples:

   a. Tobacco -- Tobacco valued at $46.4 million was exported to 23 countries as compared to FY-1961 exports to eight countries valued at $27.2 million. Exports to each of eleven countries were in excess of one million dollars. Total exports exceeded 77.3 million pounds. This was an increase of about 80 per cent over the previous year. There was an increase of approximately 4.0 million pounds to the United Kingdom which remained the major recipient country for tobacco under barter and accounted for approximately 29 per cent of total exports.

   b. Corn -- Exports of corn involved shipments to 25 countries. Total exports of 43.2 million bushels exceeded exports of the previous year by 18.2 million bushels. Out of a total value of $52.1 million, exports to Japan were valued at $15.4 million. When compared to the previous year, exports to Japan showed an increase of about 7.2 million bushels which reflects greater total corn imports by Japan and the return of the United States as the major supplying country.

   c. Grain Sorghums -- Total exports of grain sorghums under barter for FY-1962, which were more than double that of the previous year, approximated better than 10.4 million hundredweight and had an export value of about $20.6 million. For the second straight year exports to Japan accounted for more than half of total exports despite Japanese trade barriers against U. S. sorghums. Exports to Japan this year were about 5.5 million hundredweight with an export value of approximately $11.4 million. The barter program provided feed processors in Japan with the opportunity to use the U. S. product and there is now a substantial growing Japanese demand for U. S. sorghums deliverable on straight commercial terms.

GENERAL SALES MANAGEMENT

Development of Title IV, P.L. 480 Programs. Title IV was enacted in October 1959, as a supplement to other titles of P.L. 480, which provide for sales for foreign currencies, donations, and barter of U.S. surplus agricultural commodities. Under this Title the President is authorized to enter into long-term supply and dollar credit agreements of U.S. surplus agricultural commodities with friendly countries.

In addition to permitting increased sales to countries which were not previously eligible for foreign currency sales programs, the Title IV authorization has made it possible to shift countries to a dollar basis in line with their improved economic situation. Maximum emphasis is being placed on the disposition of surplus agricultural commodities for dollars, and Title IV provides a means toward this objective.

The first Title IV sales agreement was signed with El Salvador in August 1961, for $1.8 million of wheat. From that date through June 30, 1962 agreements with a market value approximating $51 million for various grains, cotton, fats and oils, and other products were signed with Liberia, Peru, Portugal, Venezuela, and Yugoslavia. Since July this year, contracts have been signed with Chile, $18.6 million; Dominican Republic, $4.5 million; Ethiopia $1.3 million and the Republic of China, $8.0 million. Title IV negotiations are now under way with the governments of several additional countries. Agreements already signed, those under negotiation and projections of potential sales through FY 63 to the 43 friendly countries qualified for Title IV purchases exceed $200 million.

The September 1962 amendments to Title IV of P.L. 480 authorized the Secretary of Agriculture to enter into sales agreements with U.S. and foreign private entities. The provisions are designed to supplement the aforementioned government-to-government feature of Title IV and should provide additional opportunities to increase dollar sales through private enterprise. Although operating procedures have not been developed and announced by the USDA, several private entities have made tentative proposals for large quantities of surplus agricultural commodities.

CCC Credit Sales Program. During Fiscal Year 1961, sales of CCC commodities under the CCC Credit Program totaled $18,244,050. In F.Y. 1962, sales amounted to $32,947,499 and for the first five months of F. Y. 1963, the total reached $4[illegible],505,868. Last May the interest rate provisions of the program were liberalized making the program more attractive to U. S. exporters. CCC credit arrangements are not approved where the country of export is a cash dollar market such as Western Europe.

Sugar - Commodity Exchanges. In April we negotiated commodity trade agreements with eight countries who were given 154,000 tons of non-quota sugar import allocations in return for their agreement to purchase 20 million dollars worth of additional U. S. wheat, cotton, corn, grain sorghums, rice, and tobacco. The sugar was imported by June 30, 1962, and the U. S. commodities were all exported by December 1962.

Rice Sales.. During the fiscal year 1962, U. S. dollar exports of rice reached a new record of over 10 million hundredweight despite the loss of the Cuban market. This rice was exported under the CCC payment-in-kind export program. Weekly export rates are established to make the price of U. S. rice competitive with rice from other origins.

Nonfat Dry Milk PIK Program. After many months of effort, announcement was made on June 27, 1962 of a payment-in-kind program for nonfat dry milk. The program provided for the issuance of certificates on proof of export of commercially held stocks of nonfat dry milk. The certificates may be used for the purchase of wheat, feed grains, rice, or dairy products from CCC.

The purpose of the program was to assist in the export of private brands, special packages, and special process types which were not available from CCC stocks. It is expected that 100 million pounds of additional exports a year may be attained.

(b) Salaries and Expenses (Special Foreign Currency Program)

Appropriation Act, 1963	$4,000,000
Transfer in 1964 estimates to "Salaries and Expenses, Foreign Agricultural Service" for market development projects in non-excess currency countries	-6,000
Base for 1964	3,994,000
Budget Estimate, 1964	- -
Decrease	-3,994,000

Note: The Budget Estimate for 1964 reflects a decrease of $3,994,000 below the appropriation for 1963 on a comparable basis. The following explanation is presented on a funds available basis, and the amount for 1964 reflects carryover from prior years. The amount of carryover from 1963 which is estimated to be available in 1964 will provide the necessary funding in excess currency countries for 1964.

SUMMARY OF INCREASES AND DECREASES, 1964
(On basis of available funds)

Decrease for market development projects in excess currency countries under section 104(a) of Public Law 480	-1,066,000

PROJECT STATEMENT
(On basis of available funds)

	1962	1963 (estimated)	Increase or Decrease	1964 (estimated)
Market development projects (sec. 104(a)) a/	$1,631,870	$3,066,000	-$1,066,000(1)	$2,000,000
Unobligated balance brought forward	-4,815,710	-3,906,323	+76,715	-3,829,608
Unobligated balance carried forward	3,906,323	3,829,608	-2,000,000	1,829,608
Transfers in 1964 estimate to "Salaries and expenses, Foreign Agricultural Service"	2,721,517	1,010,715	-1,010,715	- -
Total appropriation	3,444,000	4,000,000	-4,000,000	- -

a/ Represents obligations. Applied costs comparable to total obligations are $776,000 in 1962, $2,078,000 in 1963 and $1,920,000 in 1964. The differences are due to an excess of foreign currency contracts made over work completed in each year.

DECREASE

(1) A decrease in obligations of foreign currency under Section 104(a) of $1,066,000 in the activity "Market Development Projects."

Dollar funds provided by this appropriation are budgeted for the purchase of foreign currencies in 8 countries where it has been determined that available foreign currencies are in excess of normal United States requirements. These

are countries in which the immediate opportunity to develop markets for U.S. agricultural commodities are limited. Taking into account projects which are covered by existing agreements and for which funds are provided for one or more years ahead, there will be a lower level of obligations for market development projects in 1964. The projected decrease of $1,066,000 in fiscal year 1964 obligations results from the funding of projects in advance and the anticipated lower level of market development projects in these countries.

For a discussion of market development projects (including those in "excess" currency countries financed from this appropriation) by types of commodities and functions, see the justification under "Salaries and expenses," and also the following "Status of Program."

STATUS OF PROGRAM

Foreign currencies generated by the sale of surplus agricultural commodities under Title I of Public Law 480, are used by the Foreign Agricultural Service for market development purposes under the provisions of Section 104(a) of Public Law 480. Regular dollar appropriations are also used for market development projects in countries where the Treasury has determined that foreign currencies are not available.

In addition to use of foreign currencies by the Foreign Agricultural Service for foreign market development projects under Section 104(a), the Agricultural Research Service carries on a program of utilization, forestry, and marketing research abroad under this section.

Following is an explanation of the legislative authority, the objective to be accomplished, and the types of activities most frequently used with the market development projects.

1. Legislative Authority: Title I of Public Law 480 authorizes the President to enter into agreements with friendly nations providing for the sale of surplus commodities for foreign currencies. The President is authorized to use, in agreement with the country concerned, foreign currencies accruing from sales for various purposes.

   Section 104(a) provides the legislative authority for export market development in other countries on a mutually benefiting basis. Public Law 86-341 provides that not less than the equivalent of 5 percent of total sales proceeds and loan repayments from sales agreements made after September 21, 1959, shall be made available in advance for activities under Section 104(a). Public Law 87-128 provides that not less than 2 percent of the proceeds of sale and loan agreements shall be convertible.

   Regular dollar appropriations as are necessary are authorized under Sections 601 and 607(b) of Public Law 690, 83rd Congress, approved August 28, 1954.

2. Objective: The objective of market development projects is to maintain and expand existing foreign markets or to develop entirely new foreign markets for United States agricultural commodities. To the extent practicable, the Foreign Agricultural Service enters into agreements with trade groups, both U. S. and foreign, for the operation of these projects. However, this will be done only if the trade group will make a significant financial contribution. If a trade group is unable or unwilling to undertake a needed project, it may be carried out directly by the Foreign Agricultural Service.

   In cooperative projects the Department furnishes foreign currencies, limited amounts of U. S. dollars, and over-all guidance, including assistance by the Agricultural Attache Service abroad. The cooperator carries out the work, either directly or in cooperation with foreign groups. In all projects, however, U. S. trade and agricultural groups cooperate directly or indirectly, to the maximum extent possible.

3. Types of Activities: A wide variety of activities are used in carrying out the program, with emphasis on the following:

   a. Market Analysis--This type of activity is first used to determine the markets in which promotion will be effective and techniques to be used. Analysis of continuing projects is used to re-direct promotional efforts to activities with the greatest potential.

   b. Nutrition Education--This activity is designed to improve the health and welfare of people abroad and at the same time expand the market for agricultural commodities that can be supplied by the United States.

   c. Technical Information--Technical information is provided on product handling, manufacturing and distribution. This enables buyers to develop or modify practices to get the best use from United States commodities and encourages growth in local industries using those commodities.

   d. Two-Way Visits--Visits of foreigners to the United States and visits of United States citizens to foreign countries improve trade relations. The exchange of ideas and information in this manner is expected to result in greater consumption of United States agricultural commodities.

   e. Promotion and Advertising--United States promotional, advertising, and sales techniques are being used abroad with appropriate variations to meet local conditions.

   f. Demonstrations--This market development technique is used to demonstrate types, varieties, grades, and classes of United States agricultural commodities available for export.

   g. Trade Fairs and Trade Centers--Market development projects also are conducted through participation in international trade fairs and trade centers.

      United States food products are promoted primarily in specialized food fairs attended by urban audiences. Feed supplies such as feedgrains and soybean oilmeal are promoted primarily in agricultural fairs attended by rural audiences. But U. S. agricultural exhibits also are held in general industrial fairs as well when such fairs are held in important market centers. In all cases, fairs are chosen which bring together the greatest number of potential buyers of U. S. agricultural products.

      The Department of Agriculture in cooperation with the Department of Commerce maintains permanent trade centers at several locations throughout the world in principal commercial cities. These trade centers, staffed with marketing specialists, provide a continuous service to American food and agricultural interests seeking assistance in export matters. From time to time special exhibits of U. S. products are staged in the trade centers for invited industry groups as part

of an overall program designed to bring United States and foreign tradesmen together and facilitate expanded trade in U. S. farm commodities.

Since projects for most of the market development work are now financed from the Salaries and Expenses Appropriation, the accomplishments for the entire program are shown under the activity "Export Programs" in the regular Salaries and Expenses section of the budget.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1962, were actually received or programmed for 1963 or 1964. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in most cases.)

Item	Obligations, 1962	Estimated Obligations, 1963	Estimated Obligations, 1964
Allocations and Working Funds (Advances from other agencies):			
Agency for International Development:			
For technical assistance to friendly nations	$58,853	$83,200	$87,600
For expenses incident to the Foreign Trainee Program	6,027,338	6,170,000	6,198,600
Total, Agency for International Development	6,086,191	6,253,200	6,286,200
Obligations under reimbursement from Government and Other Sources:			
Salaries and Expenses:			
Commodity Credit Corporation Representatives for sales, barter and stockpiling	1,476	1,500	1,500
Market development projects	16,607	- -	- -
Sale of personal property	7,770	4,200	- -
Services to other accounts	16,877	39,600	43,600
Total, reimbursements	42,730	45,300	45,100
TOTAL, OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS	6,128,921	6,298,500	6,331,300

PASSENGER MOTOR VEHICLES

The 1964 Budget Estimates propose the purchase of five passenger motor vehicles for the Foreign Agricultural Service which does not, at the present time, own any such vehicles.

There is a need to assign passenger cars for use by the agricultural attaches at certain selected foreign posts in lieu of the truck type vehicles such as jeeps and carryalls. Although it is recognized that these truck type vehicles are most useful in the many lesser developed foreign areas, a number of countries have been and are continuing to improve their road systems so that it is possible to get to most of their agricultural areas in a passenger car. This however, is not the criteria used to determine the relative need for such transportation. In some areas the appropriate vehicle for official use is a passenger car and not a truck. The sedans requested herein are for the following posts:

Mexico City - It is virtually impossible to get a taxi when one is needed. The Embassy has relatively few cars available and these are primarily reserved for foreign service personnel. The assignment of a sedan would overcome these complications and permit the office to carry out its functions in a much more satisfactory manner.

Tokyo - The principal need for a vehicle in Japan is for travel within Tokyo and its immediate vicinity. Travel outside of Tokyo to the agricultural areas is not feasible by auto and is usually accomplished by train or plane. As in Mexico City, the number of sedans available through the Embassy is limited and public transportation is either slow or completely unreliable.

New Delhi - This is a large post and the representational requirements are many. It is proposed that a sedan replace one of the two truck type vehicles now in service in New Delhi. This will allow one vehicle for use in the agricultural areas and one for the daily routine office requirements and representational use.

Buenos Aires - The timely availability of sedan transportation is not assured by the local taxis or by the Embassy garage. There is a definite need for a passenger carrying vehicle for use in meeting the daily requirements for the office in making contacts in the city, and for field trips in accessible areas.

Djakarta - The representational requirements of this post demand the use of a sedan type vehicle. Due to the limited number of sedans in the Embassy pool, and the limited public transportation in Djakarta, even the most important representational duties must be discharged using a truck type vehicle now in service there.

COMMODITY EXCHANGE AUTHORITY

Purpose Statement

The Commodity Exchange Authority administers the Commodity Exchange Act of September 21, 1922, as amended.

The major objectives of the Act are: to prevent commodity price manipulation and market corners; prevent dissemination of false and misleading crop and market information affecting commodity prices; protect hedgers and other users of the commodity futures markets against cheating, fraud, and manipulative practices; insure the benefits of membership privileges on contract markets to cooperative associations of producers; insure trust-fund treatment of margin moneys and equities of hedgers and other traders and prevent the misuse of such funds by brokers; and provide information to the public regarding trading operations and contract markets.

The basic Act, originally designated as the Grain Futures Act, conferred limited authority with respect to futures trading in grains only. By amendment of June 15, 1936, its short-title designation was changed to "Commodity Exchange Act," and its regulatory provisions strengthened and extended to cotton, millfeeds, butter, eggs, potatoes, and rice. By amendment of April 7, 1938, wool tops were added to the commodities subject to the Act; fats and oils, cottonseed, cottonseed meal, peanuts, soybeans, and soybean meal were added by the Act of October 9, 1940; wool was added by enactment of Public Law 690 of August 28, 1954; and onions were added by enactment of Public Law 174 of July 26, 1955. Public Law 85-839, approved August 28, 1958, prohibited futures trading in onions effective September 27, 1958.

These functions carried out under the Act are performed through a Washington Office and five field offices, located in Chicago, Kansas City, Minneapolis, New Orleans, and New York. On November 30, 1962, the Commodity Exchange Authority had 127 full-time employees, 39 of whom were stationed in Washington, D. C. and 88 in the field offices.

	Estimated Available, 1963	Budget Estimate, 1964
Appropriation	$1,063,000	$1,095,000

Salaries and Expenses

Appropriation Act, 1963	$1,022,000
Proposed transfer, 1963, for increased pay costs	41,000
Base for 1964	1,063,000
Budget Estimate, 1964	1,095,000
Increase	≠32,000

SUMMARY OF INCREASES AND DECREASES, 1964

Reduction to reflect estimated savings due to the installation of a centralized data processing operation (MODE) for personnel and payroll data	-5,000
For pay act costs pursuant to Public Law 87-793	≠37,000
Net increase	≠32,000

PROJECT STATEMENT

Project	1962	1963 (estimated)	Increases and Decreases: Increased Pay Costs (P.L.87-793)	Increases and Decreases: Other	1964 (estimated)
1. Licensing and auditing of brokerage houses	$247,214	$268,000	≠$10,000	--	$278,000
2. Supervision of futures trading	559,574	581,000	≠20,000	-$5,000	596,000
3. Investigations	198,893	214,000	≠7,000	--	221,000
Subtotal a/	1,005,681	1,063,000	≠37,000	-5,000(1)	1,095,000
Unobligated balance	1,319	--	--	--	--
Total increased pay costs (P.L.87-793)	(- -)	(41,000)	(≠37,000)	(- -)	(78,000)
Total available or estimate	1,007,000	1,063,000 b/	≠37,000(2)	-5,000	1,095,000
Transferred from "Reimbursement to Commodity Credit Corporation for costs of special milk program" for increased pay costs	- -	-41,000			
Total appropriation or estimate	1,007,000	1,022,000			

a/ Represents obligations. Applied costs for 1962 are $1,004,282. The difference of $1,399 represents primarily the cost of undelivered equipment.

b/ Includes $500 estimated to be transferred to "Salaries and expenses, General Administration," during fiscal year 1963 for the Office of the Inspector General.

INCREASES AND DECREASES

(1) A reduction of $5,000 to reflect estimated savings due to the installation of a centralized data processing operation (MODE) for payroll and personnel data. An explanation of this reduction is included in the preface to these Explanatory Notes. The total decrease is applied to the Supervision of futures trading activity.

(2) An increase of $37,000 for pay costs pursuant to P.L. 87-793. (An overall explanation of increases for pay act costs is included in the preface to these Explanatory Notes in Volume 1.)

STATUS OF PROGRAM

Objectives and Functions: The major objectives of the Commodity Exchange Authority, in the enforcement of the Commodity Exchange Act, are to protect the pricing and hedging services of the commodity futures markets which are widely used by farmers, merchandisers, and processors. To carry out these objectives, the agency works to maintain fair trading practices and competitive pricing on commodity exchanges by preventing price manipulation, cheating, fraud, and fictitious or abusive commodity transactions.

Enforcement of the act, requiring supervision over 17 commodity exchanges designated as contract markets, and approximately 450 brokerage firms registered as futures commission merchants, is a continuous process involving the following functions:

1. Market designation, broker registration, and prevention of misuse of customers' funds: (a) Designation of commodity exchanges as contract markets; (b) annual registration of futures commission merchants and floor brokers; and (c) analysis of financial statements and (d) periodic audit and examination of books and records of futures commission merchants to insure the protection of customers' funds.

2. Supervision of futures trading: (a) Obtaining, auditing, and tabulating reports on trading operations from large traders, futures commission merchants, and exchange clearing members; (b) surveillance and analysis of the market operations of large traders, commodity brokers, and others, including marketwide surveys of all traders' positions in selected commodities; (c) enforcement of speculative limits applicable to the daily trading and positions of large traders; (d) analysis and appraisal of futures-market situations and cash-commodity and futures-price developments; (e) preparation of futures-market statistics and special reports on futures-market developments.

3. Investigation and prosecution of violations: (a) Investigation of price manipulation and other alleged or apparent violations; (b) compilation and analyses of evidence to support charges of violations and presentation of such evidence in administrative and judicial proceedings; (c) investigation of trade practices on exchanges; (d) continuing examination of exchange rules to determine compliance with the act.

Current Activities: The long-term increase in the utilization of the futures markets, as measured by the levels of traders' open contracts, went up further in the fiscal year ended June 30, 1962, thus involving an additional workload in the supervision of futures trading and pricing in these markets.

In the grain futures markets the average level of open contracts in fiscal 1962, at 612 million bushels, reached an alltime high, 42 percent above the previous year. Other markets with record or near-record levels of open contracts in 1962 were those for wool, potatoes, soybean oil, soybean meal and frozen eggs. Soybean futures open contracts receded from the high level of the previous year.

To supervise the year's larger markets in wheat, corn, oats, rye, and other commodities, the agency made effective use of its broker-and-trader reporting system to provide advance information for administrative action in heading off instances of market congestion, and to maintain orderly trading and pricing in maturing futures.

More frequently than in the previous year, agency representatives took direct action with market officials, commodity firms, large traders, and brokerage houses to obtain orderly liquidation of large positions in expiring futures, or to avert market situations susceptible to price manipulation.

The agency maintained daily surveillance of the futures operations of a record number of large traders. The daily average number of such traders in CEA reporting status during the year was 1,083, or 18 percent more than in the previous year. The increase in trading surveillance work during the year was further indicated by the number of reports obtained from exchange clearing members, futures commission merchants and large traders which reached an alltime record of approximately 612,000 reports compared with 543,000 in the previous year.

The overall hedging utilization of the supervised futures markets was larger in 1962 than in the previous year. The price risk on very large quantities of wheat and corn was shifted from the Government to the futures markets during the year, as large Government stocks of those grains were sold to the trade and hedged in futures.

Although the total trading volume in the supervised futures markets in 1962 was not as large as in the previous year, due mainly to decreased activity in soybeans, the trading was well distributed among commodities.

For all regulated commodities combined there were 9,912,000 futures transactions -- purchases plus sales in terms of contract units. This was a decrease of 13.5 percent compared with 11,454,000 transactions in 1961. The average of month-end open contracts in all commodities was approximately 179 thousand in 1962, compared with approximately 134 thousand in 1961, a continuation of the long-term rising trend in the utilization of futures markets.

In safeguarding commodity customers' funds, during the year the agency increased the number of its audits of futures commission merchants, covering all but a few of the brokerage firms registered under the act to solicit commodity customers' business and handle customers' funds.

The agency continued to perform a heavy workload of investigatory work during the year. It completed 56 investigations compared with 55 in the previous year. Disciplinary proceedings completed during the year resulted in sanctions being imposed on firms and traders for price manipulation, exceeding speculative limits, mishandling customers' funds and other violations of the act.

A new monthly series of "market composition" reports inaugurated during the year added significantly to the flow of basic data on futures trading which the agency regularly makes public. The reports show month-to-month changes in large traders' speculative and hedging positions in 13 leading commodities, and are designed to increase public understanding and improve trade utilization of the futures trading system.

Selected Examples of Recent Progress:

1. Maintaining orderly trading in maturing futures. In the year's large markets for wheat, corn, oats, wool, eggs, potatoes, and other commodities, there were sharp divisions of price opinion and large-scale handling of price risks by both hedgers and speculators. Some commodity firms and speculators with large holdings were slow in liquidating their positions. This required very close supervision of trading to enable the agency to foresee and take action to prevent disorderly trading and pricing in maturing futures. In the September, December, March and May futures for one or more leading commodities, there were large aggregates of open contracts late in the life of maturing futures and very slow rates of liquidation. Effective trading surveillance and investigations provided the agency with advance information on such trouble spots in maturing futures. When necessary, agency representatives took direct action with market officials, commodity firms, and large speculators to prevent market congestion and avoid where possible situations lending themselves to price manipulation.

2. Potato futures investigation. A major agency project during the year was the study and investigation of the Maine potato futures market. A marketwide agency survey and report of potato futures covering the early part of the marketing season (to March 1, 1962) showed record participation in the futures market by both hedgers and speculators. The survey-report showed that the market was carrying very heavy price risks, resulting from increased potato production in Maine and other late potato areas in 1961, declining prices, and slow marketings of the Maine crop. In the March-May period, as the market continued very large with erratic price movements, the agency undertook a full scale survey and investigation of potato futures during this period, and particularly transactions in the May future. The study was being prepared at the end of the fiscal year for publication.

3. Regulation of millfeed futures. The Merchants' Exchange of St. Louis was designated on April 13, 1962, as a contract market for millfeed futures under the Commodity Exchange Act. Preparatory to the opening of trading on June 1, the agency worked with the exchange to adapt its rules to contract-market requirements and to develop reporting forms and procedures to enable exchange officials and members of the millfeed trade to proceed according to requirements. Exchange rules provide for separate St. Louis, Kansas City and Chicago contracts. Deliveries on any one of these contracts may be made at the contract point, or at other points with an allowance for transportation to the contract point

provided by the seller. Three weeks after the opening of trading the agency made the first special analysis of St. Louis millfeed futures, which showed trading and open contracts in 11 millfeed futures. Futures trading in millfeeds at St. Louis began in 1929, but the market became inactive during World War II, and in 1957 the exchange requested withdrawal of its designation. Redesignation of the exchange as a contract market brings to 17 the number of such markets currently licensed under the Commodity Exchange Act.

4. Enforcing speculative limits. The agency found 30 instances during the year in which traders exceeded speculative limits established by the Commodity Exchange Commission. This compared with 38 such instances in the previous fiscal year. Speculative limits on positions were exceeded in the 1962 fiscal year in 23 instances: in rye 11, eggs 5, corn 4, oats 2, and soybeans 1. The daily trading limits were exceeded in 7 instances: in eggs 4, rye 2, and soybeans 1.

   In some instances trades or positions exceeded the limits by small amounts due to record-keeping errors. In nearly all instances when a position limit was exceeded the speculative line was reduced promptly when the trader was contacted. In all instances, whether involving position limits or trading limits, the traders were warned against further infractions. In 2 instances formal complaints were filed charging violations of the Commodity Exchange Act.

5. Anticipatory hedging. The agency continued the specialized trading supervision which is performed to give effect to the anticipatory hedging provisions of the Commodity Exchange Act. Under section 4a (3) (C) of the act, adopted in 1956, commodity processors may acquire long futures to hedge their unfilled anticipated processing requirements, based on periodic filings of processing information with the CEA and compliance with other regulatory requirements. During the year 16 grain and soybean processing firms filed with the CEA for anticipatory hedging authority. From continuing surveillance of the cash and futures positions of the filing firms, the agency determined that the long futures positions of the firms involved did not exceed their unfilled anticipated requirements.

6. Market surveys. The agency conducted two market-wide surveys during the fiscal year, one of the corn market on the Chicago Board of Trade at the end of September 1961, and one of the Maine potato market on the New York Merchantile Exchange at the end of October 1961. The surveys included data on every trader's position in these markets -- including size of holdings and classification of positions, i.e., speculative or hedging -- as well as occupation and geographical location of the trader. The corn-market survey covered 4,837 traders and open positions of 155,450,000 bushels. A summary of the potato-market survey, involving 1,470 traders and 10,723 carlots of open contracts, was released in a published report covering the early part of the Maine potato marketing season.

The record-size soybean futures market on the Chicago Board of Trade in 1960-61 was the subject of a special agency study and publication: "Soybean Futures Market, 1960-61." The study developed basic information on the functioning of the market and appraised the relationship between the tremendous public participation in soybean futures and the price rise and reaction in the period from December 1960 to July 1961.

"Futures Trading in Maine Potatoes, June 1961-February 1962" is the seventh of a series of reports issued by CEA since 1955 on potato futures trading on the New York Mercantile Exchange in the early part of the marketing season for Maine potatoes. The agency's further study of this market -- the largest in Maine potato futures on record -- was continued for the latter part of the marketing season, with a further report in preparation at the close of the fiscal year.

The agency's statistical annual for the year, "Commodity Futures Statistics, July 1960-June 1961," was published as U.S.D.A. Statistical Bulletin No. 302.

Periodic futures-market statistical reports continued during the year included the daily reports on trading volume and open contracts issued by the 5 CEA field offices, the monthly reports, Trade in Grain Futures, Trade in Cotton Futures, and the monthly market-composition reports for several leading commodities which were extended at the close of the year to cover all leading regulated commodities.

12. New series of monthly reports. During the year the agency carried out its plans for a new series of monthly reports on the composition of the futures markets for all leading regulated commodities. Issuance of the reports marks another forward step in the Department policy of providing the public with basic and current data on futures-market operations. The new reports, beginning as of June 30, 1962, show month-to-month changes in the hedging and speculative positions of large traders in 13 leading commodities on individual markets, and supersede similar reports covering five of these commodities. The reports give additional information on the composition and utilization of the larger futures markets operating under the Commodity Exchange Act, and lend more factual meaning to the data on open contracts which the CEA has issued for many years.

Commodities and markets covered by the new reports include wheat on the Chicago Board of Trade, Kansas City Board of Trade, and Minneapolis Grain Exchange; corn, oats, rye, soybeans, soybean oil and soybean meal on the Chicago Board of Trade; eggs (shell and frozen) on the Chicago Mercantile Exchange; cotton on the New York Cotton Exchange; wool on the Wool Associates of the New York Cotton Exchange; cottonseed oil on the New York Produce Exchange; and potatoes on the New York Mercantile Exchange.

13. Contract markets and regulated commodities. The 17 commodity exchanges licensed as contract markets under the Commodity Exchange Act and the 18 commodities in which futures trading was conducted under the act in fiscal 1962 are as follows:

Chicago Board of Trade	Wheat, corn, oats, rye, soybeans, cotton, soybean oil, lard, soybean meal
Chicago Mercantile Exchange	Eggs (frozen and shell), potatoes
Chicago Open Board of Trade	Wheat, corn, oats, rye, soybeans
Duluth Board of Trade	(No trading in 1961-62)
Kansas City Board of Trade	Wheat, corn, grain sorghums
Memphis Board of Trade Clearing Association	Cottonseed meal, soybean meal
Merchants' Exchange of St. Louis	Millfeeds
Milwaukee Grain Exchange	Wheat, corn, oats, rye
Minneapolis Grain Exchange	Wheat, oats, rye, flaxseed
New Orleans Cotton Exchange	Cotton
New York Cotton Exchange	Cotton
New York Mercantile Exchange	Potatoes
New York Produce Exchange	Cottonseed oil, soybean oil
Portland Grain Exchange	(No trading in 1961-62)
San Francisco Grain Exchange	(No trading in 1961-62)
Seattle Grain Exchange	(No trading in 1961-62)
Wool Associates of the New York Cotton Exchange	Wool, wool tops

Workload data on major activities of the Commodity Exchange Authority

	Actual			Estimated	
	1960	1961	1962	1963	1964
I. Licensing and auditing:					
Audits of customers' segregated funds	563	513	541	560	560
Accounts examined	33,530	28,753	44,716	44,700	44,200
Financial statements examined	483	475	452	500	475
Futures commission merchants registered	483	466	452	460	460
Floor brokers registered	739	755	765	775	775
II. Supervision:					
Markets and commodities:					
Exchanges	16	16	17	17	17
Commodities	19	17	18	18	18
Markets (5 wheat markets, 4 corn markets, etc.)	44	37	37	39	39
Reports tabulated and analyzed:					
Daily trading volume and open contracts	224,079	208,541	208,044	225,000	225,000
Daily and weekly reports of large traders	296,775	334,439	403,603	450,000	450,000
Average daily reports received from large traders	786	916	1,083	1,200	1,200
Weekly stock reports from Chicago regular elevators	3,295	3,039	2,957	3,300	3,300
Delivery notices	45,122	48,032	67,159	75,000	75,000
Special calls and surveys	2	3	2	6	7
Accounts	9,278	5,309	6,307	16,000	17,000
General activities, including observance of trading, contact with exchange officials, establishment, review and enforcement of speculative limits, quotations service, price compilations, and review of market letters	x	x	x	x	x
III. Investigations:					
Compliance investigations completed	31	53	54	50	50
Trade practice investigations completed	2	2	2	3	3
Criminal prosecutions instituted	0	0	0	1	0
Administrative proceedings instituted	4	6	7	7	7

x No measure of workload available.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Purpose Statement

The Agricultural Stabilization and Conservation Service was established by the Secretary of Agriculture on June 5, 1961 under the authority of Reorganization Plan No. 2 of 1953, in accordance with the Reorganization Act of 1949, as amended (5 U.S.C. 133z). The Service carries on the following principal programs:

1. Acreage Allotments and Marketing Quotas and Other Production Adjustment Programs. The Agricultural Adjustment Act of 1938, as amended, authorizes production adjustment for designated basic commodities (tobacco, peanuts, wheat, cotton and rice) through acreage allotments, and the adjustment of supplies through marketing quotas when supplies reach specified levels in relation to normal demand.

   Special voluntary acreage reduction programs are in effect for the 1962 and 1963 crops of wheat and feed grains. The chief objectives of these special programs are to (1) increase farm income, (2) prevent further buildup of surplus stocks and to reduce such stocks, and (3) reduce program costs of price support activities.

   In addition to its regular programs, ASCS is responsible for part of the continuing activities of the Department in the area of defense preparedness measures relating to food and the domestic distribution of farm equipment and supplies.

2. Sugar Act Program. The chief objective set forth in the Sugar Act of 1948, as amended, is "to protect the welfare of consumers of sugars and of those engaged in the domestic sugar-producing industry". This involves (a) determination of U.S. consumption requirements; (b) administration of quotas to regulate imports of sugar produced in foreign areas, as well as marketing of sugar produced in domestic areas; and (c) payments to domestic producers of sugar beets and sugar cane, provided producers comply with certain labor, wage, price, and marketing requirements prescribed by law.

   The Service also carries out the United States' responsibilities under the International Sugar Agreement which is designed to contribute to stabilization of the world sugar economy.

3. Agricultural Conservation Program. This program is authorized by the provisions of section 7 to 16(a), inclusive, and section 17 of the Soil Conservation and Domestic Allotment Act, as amended. Its objectives include (1) restoring and improving soil fertility, (2) reducing erosion caused by wind and water, and (3) conserving water on land. Cost-sharing assistance is furnished to individual farmers and ranchers in the 50 States, Puerto Rico and the Virgin Islands for carrying out approved soil-building and soil- and water-conserving practices on their farms. This assistance represents only a part of the cost of performing the practice. The farmer bears the balance of the cost and in addition supplies labor and management necessary to carry out the practice. Allocations are made to States based upon conservation needs.

4. Land Use Adjustment Program. Section 16(e) of the Soil Conservation and Domestic Allotment Act, as amended, by Section 101 of the Food and Agriculture Act of 1962, provides for long-term agreements under which cropping systems and land uses will be changed (1) to permanently shift to better productive use cropland which is not well suited for crop use, and (2) to temporarily shift to better productive use and utilize for other purposes land which is suitable for crop use but not currently needed for crops.

5. Emergency Conservation Measures. The objective of this program, which is authorized by the Third Supplemental Appropriation Act of 1957 and the Supplemental Appropriation Acts of 1958 and 1959, is to restore to normal agricultural use farmlands which have been damaged by wind erosion, hurricanes, floods, or other natural disasters. To this end, farmers are offered cost-sharing assistance for carrying out approved practices. Assistance is given only when new conservation problems are created which:

   a. If not treated will impair or endanger the land.

   b. Materially affect the productive capacity of the land.

   c. Represent damage which is unusual in character and except for wind erosion, is not the type which would recur frequently in the same area.

   d. Will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

6. Conservation Reserve Program. The Conservation Reserve Program authorized by the Soil Bank Act is a long-range program under which farmers have voluntarily contracted to take cropland out of production for a specified number of years and devote it to conservation uses. In return the farmer receives (a) an annual rental payment for the contract period, and (b) assistance in either cash or conservation materials and services for carrying out approved conservation practices on the reserved acreage. Farmers are required to apply approved conservation practices to the reserve acreage which include establishing grasses, legumes, or trees, or to devote it to soil-water-forest or wildlife conservation practices. They may not harvest a crop from the reserved acres or graze them, except when authorized in emergencies.

7. Commodity Credit Corporation Program Activities. Various price support and related programs have been authorized in numerous legislative enactments since the early 1930's. Operations under these programs are financed through the Commodity Credit Corporation. Personnel and facilities of the Agricultural Stabilization and Conservation Service are utilized in the administration of programs of the Commodity Credit Corporation, and the Administrator of the Service is also Executive Vice President of the Corporation.

   Additional information on the price support and related activities of the Commodity Credit Corporation will be found in another section of these Explanatory Notes.

8. Foreign Assistance Programs and other Special Activities. Various surplus disposal programs and other special activities are conducted pursuant to specific statutory authorizations and directives. These laws authorize the use of CCC funds and facilities to implement the programs. Appropriations for these programs are transferred or paid to the Corporation for its costs incurred in connection with the following major activities:

   a. Foreign Assistance Programs

      (1) Public Law 480:

         (a) Sales of surplus agricultural commodities for foreign currencies (Title I);

         (b) Commodities disposed of for emergency famine relief to friendly peoples (Title II);

         (c) Long-term supply contracts (Title IV).

      (2) International Wheat Agreement

      (3) Bartered materials for supplemental stockpile.

   b. Other Special Activities

      (1) Reimbursement for costs of National Wool Act (permanent appropriation).

      (2) Grain for migratory waterfowl.

      (3) Surplus grain for game birds.

      (4) Transfer of long staple cotton from national stockpile for sale by CCC.

      (5) Loans to Secretary of Agriculture for conservation purposes.

9. Work Performed for Others. The Agricultural Stabilization and Conservation Service performs certain services for other Federal agencies on an advance or reimbursable payment basis. These consist primarily of the following:

   a. Great Plains Conservation Program. The Service assists the Soil Conservation Service in the development and application of policies relating to conservation measures and cost-share rates, including practices or changes in practices for use in the various States, and works with the Soil Conservation Service in correlating the Agricultural Conservation Program and the Great Plains Conservation Program practices and procedures.

   b. Removal of Surplus Agricultural Commodities, and School Lunch Program. Pursuant to an annual agreement with the Agricultural Marketing Service, funds are received for carrying out purchase and diversion programs authorized under section 32 of the Act

of August 24, 1935 and for the procurement of commodities for distribution to schools for utilization in the School Lunch Program.

c. Aerial Photographs. The Service enters into cooperative agreements with State and local public agencies for the procurement of aerial photographs. Copies of all photographs, made primarily for use in conservation and production adjustment programs, are available for sale to the public.

d. Agency for International Development. The Service procures or provides commodities for distribution abroad, at the request of the Agency for International Development.

The Agricultural Stabilization and Conservation Service carries on its programs in the field through (a) seven commodity offices and a data processing center which are responsible primarily for Commodity Credit Corporation functions, including price support loans and purchases, acquisition, management, storage and disposition of commodities, and related transportation and accounting activities; and (b) the ASCS State and county committees which are responsible for the local administration of a variety of programs dealing directly with the farmer. Through the farmer-elected ASCS county committees, the Service also obtains recommendations and advice in the formulation of program plans and policies. There are ASCS State Committees in the 50 States and Puerto Rico, and a total of 3,061 county committees.

As of November 30, 1962, the Service had 8,484 full-time employees, 1,308 of whom were in Washington and 7,176 in the field. However, on December 23, 1962, there were transferred from the Agricultural Stabilization and Conservation Service to the Agricultural Marketing Service, pursuant to Secretary's Memorandum No. 1520, dated November 15, 1962, 1,232 full-time employees including 1,121 in the Offices of the Milk Market Administrators. This transfer placed all Marketing Agreements and Orders work in the Agricultural Marketing Service. The ASCS county offices had 28,916 man-years of non-Federal employment in the fiscal year 1962.

	Appropriated, 1963	Budget Estimate, 1964
Expenses, Agricultural Stabilization and Conservation Service	$95,423,000	$114,944,000
Transfer from Commodity Credit Corporation Fund	(81,379,500)	(97,110,000)
Sugar Act Program	77,650,000	80,000,000
Agricultural Conservation Program	212,900,000	220,000,000
Advance Authorization	(250,000,000)	(150,000,000)
Land Use Adjustment Program	- -	27,000,000
Conservation Reserve Program	a/ 300,000,000	294,000,000
Total b/	685,973,000	735,944,000

a/ In addition, $4,815,857 available from prior year balance and from recoveries of prior year obligations.

b/ Funds appropriated or available for other activities administered by the Agricultural Stabilization and Conservation Service are set forth in the Commodity Credit Corporation and Foreign Assistance Programs sections of these Explanatory Notes.

Summary of Appropriations, 1963, and Estimates, 1964

Appropriation Item	Estimated Available 1963	Budget Estimates 1964	Increase (+) or Decrease (-)
Expenses, ASCS	a/ $95,423,000	b/$114,944,000	+$19,521,000
Sugar Act program	77,650,000	80,000,000	+2,350,000
Agricultural Conservation Program	212,900,000	220,000,000	+7,100,000
Conservation Reserve Program	c/ 300,000,000	294,000,000	-6,000,000
Land Use Adjustment program	- -	27,000,000	+27,000,000
Total d/	685,973,000	735,944,000	+49,971,000

a/ In addition $81,379,500 advanced from the Commodity Credit Corporation Fund. Based on the items proposed for transfer in 1964, the comparable amount is $123,018,000, including $41,638,500 from the CCC administrative expense limitation.

b/ In addition $97,110,000 advanced from the Commodity Credit Corporation Fund (including CCC administrative expense limitation of $42,276,000 proposed to be transferred to and merged with this account).

c/ In addition, $402,275 available from prior year balances and $2,095,908 in unused balances of funds previously advanced to CCC.

d/ Funds appropriated or available for other activities administered by the Agricultural Stabilization and Conservation Service are presented in the Commodity Credit Corporation and Foreign Assistance Programs sections of these Explanatory Notes.

(a) Expenses, Agricultural Stabilization and Conservation Service

	Direct Appropriation	Transfer from Commodity Credit Corporation	Total
Appropriation Act, 1963	$95,423,000	$81,379,500	$176,802,500
Comparative adjustment in 1963 to reflect proposed transfer in 1964 estimates from Commodity Credit Corporation:			
(a) Limitation on Administrative Expenses	- -	ƒ41,638,500	ƒ41,638,500
(b) Transfer from CCC capital funds	- -	ƒ639,000	ƒ639,000
Base for 1964	95,423,000	123,657,000	219,080,000
Budget Estimate, 1964	114,944,000	97,110,000	212,054,000
Net Decrease	ƒ19,521,000	-26,547,000	-7,026,000

Note. -- The budget estimates propose an increase in direct appropriations of $19,521,000 over the amount appropriated in 1963. This is offset by a decrease of $26,547,000 in the transfer from CCC funds. The following justifications are presented on the basis of funds available and reflect a decrease of $11,867,463. The 1963 column reflects the proposed use of $4,841,863 of funds from other accounts (primarily loan service charges) for increased pay and postal costs in that year.

SUMMARY OF INCREASES AND DECREASES, 1964
(On basis of available funds)

	Appropriation	CCC Funds	Total
Increase in direct appropriation for administering the wheat stabilization program (partially financed with CCC funds in 1963)	ƒ$11,408,000	- -	ƒ$11,408,000
Decrease due to expiration of the feed grains land diversion program and financing of the wheat stabilization by direct appropriation ...	- -	-$30,000,000	-$30,000,000
Increase for land-use adjustment program under Section 101, of the Food and Agriculture Act of 1962	ƒ1,000,000	- -	ƒ1,000,000
Net decrease for administering Commodity Credit Corporation activities (other than feed grain and wheat stabilization programs)	- -	-1,739,464	-1,739,464

	Appropriation	CCC Funds	Total
Increase in the contingency reserve to enable the Commodity Credit Corporation to meet unforeseeable increases in workload	- -	ƒ2,047,500	ƒ2,047,500
Increase for aerial photography, printing, and other expenses previously paid from program funds	ƒ944,000	- -	ƒ944,000
Decrease to reflect estimated savings due to installation of a centralized data processing operation (MODE) for payroll and personnel data	-211,000	- -	-211,000
Subtotal	ƒ13,141,000	-29,691,964	-16,550,964
Increased pay costs pursuant to P. L. 87-793	ƒ3,216,546	ƒ1,184,705	ƒ4,401,251
Increased postal costs pursuant to P. L. 87-793	ƒ195,620	ƒ86,630	ƒ282,250
Subtotal, increased pay and postal costs	ƒ3,412,166	ƒ1,271,335	ƒ4,683,501
Total net decrease	ƒ16,553,166	-28,420,629	-11,867,463

PROJECT STATEMENT

(On basis of available funds)

Project	1962	1963 (estimated)	Increase or Decrease: Increased Pay and Postal Costs (P.L. 87-793)	Increase or Decrease: Other	1964 (estimated)
1. Formulating, appraising, auditing, and investigating programs	$8,465,300	$8,789,950	ƒ$314,200	-$116,900	$8,987,250
2. Operating supply adjustment, conservation, and price support programs	173,288,883	173,526,063	ƒ3,411,425	-16,578,338	160,359,150
3. Managing and merchandising commodities and accounting for loans and commodities .	35,428,518	40,283,000	ƒ950,376	-1,820,526	39,412,850

Project	1962	1963 (estimated)	Increase or Decrease: Increased Pay and Postal Costs (P.L. 87-793)	Increase or Decrease: Other	1964 (estimated)
Subtotal, ASCS	217,182,701	222,599,013	+4,676,001	-18,515,764	208,759,250
Cooperating agencies:					
Forest Service	186,190	170,900	+5,100	-28,000	148,000
Office of the General Counsel	77,276	127,050	+2,400	-54,700	74,750
Subtotal, cooperating agencies	263,466	297,950	+7,500	-82,700	222,750
Total requirements (obligations)	217,446,167	a/222,896,963	+4,683,501	-18,598,464	208,982,000
Contingency reserve	- -	1,024,500	- -	+2,047,500	3,072,000
Unobligated balance	11,108,818	- -	- -	- -	- -
Total increased costs (P.L. 87-793)					
Pay Costs	- -	(6,253,454)	(+4,777,016)	(-375,765)	(10,654,705)
Postal Costs	- -	(283,000)	(+282,250)	(- -)	(565,250)
Total available or estimate	228,554,985	223,921,463	+4,683,501 (2)	-16,550,964 (1)	212,054,000
Transfers from Commodity Credit Corporation:					
From program funds, 1963 Act	-77,093,380	b/-82,018,500	-2,064,000	+29,248,500	-54,834,000
From limitation on administrative expense	-42,867,000	-41,638,500	-1,080,964	+443,464	-42,276,000
Comparability adjustment to reflect transfer made in 1962 from administrative expense limitation to capital funds	-3,499,000	- -	- -	- -	- -

Project	1962	1963 (estimated)	Increase or Decrease: Increased Pay and Postal Costs (P.L. 87-793)	Increase or Decrease: Other	1964 (estimated)
Transfered in the 1963 estimates from:					
Acreage allotments and marketing quotas	-44,098,000	- -	- -	- -	- -
Sugar Act program	-2,245,000	- -	- -	- -	- -
Agricultural conservation program	-28,999,097	- -	- -	- -	- -
Conservation reserve program	-11,253,508	- -	- -	- -	- -
Special agricultural conservation program	-18,500,000	- -	- -	- -	- -
Use of funds from other accounts for increased pay and postal costs, 1963	- -	-4,841,463	4,841,463	- -	- -
Total, direct appropriations	- -	95,423,000	6,380,000	13,141,000	114,944,000

1/ Includes $124,000 estimated to be transferred to "Salaries and expenses, General Administration", during fiscal year 1963 for the Office of the Inspector General.

2/ Includes $639,000 for administrative activities previously financed from capital funds.

PROPOSED TRANSFER FROM COMMODITY CREDIT CORPORATION FUNDS

The 1964 Budget estimates for Expenses, ASCS reflect the transfer of CCC funds used to carry out specific programs not covered in the CCC administrative funds limitation as well as amounts formerly carried as "other program funds" in several other ASCS programs. These include: $900,000 in Agricultural Conservation Program, $19,000 in Sugar Program, and $25,000 in Conservation Reserve Program. The amounts transferred from CCC funds total $639,000 which is made up of $310,000 for the wool program, $115,000 for supply and foreign purchase program, $200,000 for the International Wheat Agreement and $13,500 for the Long Staple Cotton Program. These transfers were made to consolidate all administrative funds used by ASCS in one account for clarity and better management and control of administrative funds.

EXPLANATION OF THE ACCOUNT

It is proposed that the appropriation account for fiscal year 1964 include funds, by direct appropriation and by authorization to transfer capital funds of the Commodity Credit Corporation, to cover expenses of all programs administered by the Agricultural Stabilization and Conservation Service, including costs previously charged against program funds, such as the cost of aerial photography and printing. In addition, it is proposed that funds made available to this Service by other agencies for services performed in carrying out various programs be advanced to and merged with this appropriation. The authorization to transfer the foregoing funds into the appropriation account is being proposed to streamline accounting, fiscal, and budgetary work by eliminating the necessity for making individual allocations and allotments and maintaining and recording obligations and expenditures under numerous separate accounts.

Under this proposal, additional funds would be advanced to and merged with this account. The following tabulation shows obligations in the Project Statement which are directly controlled by appropriation language plus the additional funds advanced into this account.

	1962	1963	1964
Obligations as reflected on the project statement	$217,446,167	$222,896,963	$208,982,000
Obligations under funds from other sources to be consolidated with this account (operating supply adjustment, conservation and price support programs)	13,177,447	14,426,977	17,483,850
Total obligations	230,623,614	237,323,940	226,465,850
The above obligations are distributed by activities as follows:			
1. Formulating, appraising, auditing, and investigating programs	$8,542,576	$8,917,000	$9,062,000
2. Operating supply adjustment, conservation and price support programs	186,652,520	188,123,940	177,991,000
3. Managing and merchandising commodities and accounting for loans and commodities	35,428,518	40,283,000	39,412,850

In recommending this appropriation item last year, the Senate Appropriations Committee report (Report No. 1908, page 18) stated "For some time the Committee has been concerned about the appropriation procedures which required appropriations or limitations within appropriations to finance the operation of the various farm programs. A consolidated appropriation will simplify budgetary and accounting requirements and recordkeeping."

The Department will continue to develop data on the estimated cost of administering major programs. However, separate accounting records and reports by program will not be maintained. The distribution of charges among major programs will be made on the basis of workload data. If the need arises during the fiscal year to distribute expenses among programs, such distribution will be determined on the basis of workload and progress reports as related to annual allocations, and the portion of the year which has elapsed.

The foregoing method of distributing expenses by programs is the most feasible way it would be possible to reduce recordkeeping and paperwork in line with the intent of Congress. It is believed that this method will be reasonably accurate and that it is consistent with the overall objective of keeping expenses strictly in line with necessary workload.

A large portion of the funds available to the Agricultural Stabilization and Conservation Service are for expenses of county offices. Payments to county committees for estimated expenses are deposited in county committee bank accounts from which all expenses at the local level are paid. Expenses paid from these accounts are as follows (in thousands of dollars):

	1962 actual	1963 estimate	1964 estimate
Salaries	$119,277	$119,947	$109,835
Travel	7,687	7,344	6,707
All other expenses	31,640	33,313	31,804
Total advances to county committees	158,604	160,604	148,346

To describe the process for estimating expenses by program more fully:

1. County offices constitute the largest segment of administrative expense activity. For this group of offices, the volume of major workload items are estimated under each major program. These workload items are weighted to reflect the relative time required for each item. The resulting workload points are used for the allocation of funds and will be of considerable use in distributing costs to the various programs in 1963. The validity of the weights is currently being tested for use for the distribution of costs in 1964 and to further develop accurate unit costs of specific functions for use both in formulating estimates and distributing expenses by program.

2. A work measurement and performance standards system is used for planning, measuring and forecasting administrative expenses for the commodity offices in the field and the Data Processing Center in Kansas City based on the workload arising in the field under the provisions of farm program legislation. The program volume is translated into approximately 60 work units and production rates with the resultant manpower and final requirements. The

major work items relate to producer transactions, inventory management and merchandising activities.

3. Administrative expenses for other programs and organizational units are determined on the basis of past experience coupled, in some cases, with estimates of workload volume.

INCREASES AND DECREASES
(On basis of available funds in Project Statement)

The net decrease of $11,867,463 in the direct appropriation and transfers from Commodity Credit Corporation as reflected in the Summary of Increases and Decreases consists of:

(1) A net decrease of $16,550,964 composed of:

(a) An increase of $13,141,000 in direct appropriation (partially offset by a decrease in use of CCC funds as explained later in these notes) composed of:

1. An increase of $11,408,000 for completing the 1963 feed grain and wheat programs and for carrying out the wheat program authorized by the Food and Agriculture Act of 1962 as follows:

a. An increase of $3,136,000 for completing the 1963 feed grain and wheat stabilization programs. The appropriation for fiscal year 1963 for completing the 1962 feed grain and wheat stabilization programs was reduced to a level which would not permit the necessary performance checking. Funds available in fiscal year 1963, therefore, appear to be inadequate to carry out the estimated workload. To the extent that work on these programs cannot be completed in fiscal year 1963, it will have to be deferred until fiscal year 1964, thus requiring increased funds.

Checking performance is especially important. The success of a supply adjustment program depends upon the actual removal of acreage from the production of feed grains (corn, grain sorghums, and barley) and wheat. If performance checking is inadequate, large-scale violations could occur which would destroy the effectiveness of the program and could result in making payments to producers on acreage which had not actually been diverted.

The increase would provide sufficient funds to complete measurement of acreage designated as diverted under the 1963 feed grain program. It would also provide funds to make a second farm visit to participating farms (on a spot-check basis of about 8.0%) to determine ultimate use made of acreage designated as diverted.

b. An increase of $8,272,000 to carry out the new wheat program authorized in the Food and Agriculture Act of 1962. The Food and Agriculture Act of 1962 revised the wheat marketing quota program to provide for more effective controls and for an acreage diversion program with payments for the 1963, 1964 and 1965 crops of wheat. It also provides for a marketing certificate plan, beginning with the 1964 marketing year, under which certificates would be issued to producers for all wheat consumed domestically and such part of the exports as would carry out the price and income objectives of the Act. The marketing certificate plan will eliminate the minimum national acreage allotment of 55 million acres. Under the program, the Secretary will estimate the number of bushels of wheat to meet requirements for the coming year and determine a national acreage allotment large enough to produce that quota.

The requested increase would provide funds for work on the diversion payment program comparable to that which was financed by advances of Commodity Credit Corporation capital funds in fiscal years 1962 and 1963.

Under the program, payments would be made on an acreage equal to the difference between the farm allotment and the allotment which would have been established under the 55 million acre minimum national acreage allotment. Payments are also authorized to be made on additional acreage equal to 20% of the farm acreage allotment. The entire diverted acreage must be devoted to conserving uses and must be in addition to the average acreage devoted to conserving uses, including summer fallow and idle land.

There are no actual data upon which to base an estimate of the number of farmers who would sign up to divert additional acreage equal to 20%. However, for the purposes of this estimate, it is assumed that participation will be at about the same level as in 1962, which called for mandatory reduction of 10% below the 55 million acre minimum national acreage allotment.

Work during the fiscal year 1964 on the 1964 and 1965 crops would include:

1. Holding county and farmer fieldman district meetings to discuss program provisions, regulations, procedures, and instructions.

2. Adjusting productivity indexes and payment rates, determining marketing allocations, compiling related data, handling appeals, etc.

3. Notifying producers of program provisions.

4. Conducting signup for farmers who desire to divert additional acreage equal to 20% of the acreage allotment.

5. Preparing and processing applications for advance payment.

Work on the 1965 crop of wheat will begin early in the calendar year 1964. After the quota has been determined, it will be necessary to compute the marketing allocation for each individual farm. The plan of work calls for notifying the farmer of his farm marketing allocation prior to the referendum.

2. An increase of $1,000,000 for administering the land-use adjustment program. Section 101, Title I, Food and Agriculture Act of 1962 provides for a land-use adjustment program under which payments would be made to producers for making changes in land uses and cropping systems and for conserving and developing soil, water, forest, wildlife, and recreational resources.

It is proposed to continue the pilot program initiated in 1963 but in different areas of the country. The pilot program is designed to determine how to deal with land released from Conservation Reserve and how other land can be put to optimum economic and social uses.

Work required in carrying out pilot programs would include:

1. Holding county meetings to discuss program provisions, regulations, procedures and instructions.

2. Answering program inquiries, handling correspondence, and answering inquiries on agreements.

3. Preparing and modifying agreements, recomputing data, processing and obtaining signatures on revised agreements.

4. Making farm visits to verify agreements and identify acreage.

5. Measuring acreages, obtaining certifications, spot checking, and determining eligibility for payments.

6. Preparing and processing payments and issuing sight drafts.

7. Processing violations, terminations, and refunds.

3. An increase of $944,000 representing expenses previously paid from program funds. For several years the appropriations for the Agricultural Conservation, Sugar Act, and the Conservation Reserve Programs have included certain expenses which have been paid from program funds rather than from the administrative expense limitation. It is proposed in 1964 to shift these expenses to this account. As a result, the amounts appropriated for these three programs will be used exclusively for payments and technical assistance to farmers and ranchers.

The $944,000 estimated for 1964 consists of:

Agricultural Conservation Program:	
Aerial photography (net cost of aerial mapping of farms after crediting receipts from sales of maps)	$680,050
Reimbursement to Agricultural Research Service for testing lime samples	18,570
Postage fees	4,530
Printing of program forms and bulletins	196,850
Total ACP	900,000
Sugar Act (printing of program forms)	19,000
Conservation Reserve Program (printing of program forms)	25,000
Total	944,000

It is proposed in 1964 to pay these expenses from "Expenses, Agricultural Stabilization and Conservation Service" for consistency with other programs and activities conducted by the Service and to bring together in this appropriation all of the funds for expenses of the Service.

4. A decrease of $211,000 to reflect estimated savings due to the installation of a centralized data processing operation (MODE) for payroll and personnel data. An explanation of this reduction is included in the preface of these Explanatory Notes. This reduction is distributed among activities as follows:

Formulating, appraising, auditing, and investigating programs	-$14,980
Operating supply adjustment, conservation, and price support programs	-130,190
Managing and merchandising commodities and accounting for loans and commodities	-64,830
Total decrease	-211,000

(b) A net decrease of $29,691,964 in the transfer from CCC funds composed of:

1. A decrease of $30,000,000 for the feed grain and wheat stabilization programs. The Food and Agriculture Act of 1962 authorized the Commodity Credit Corporation to advance capital funds for necessary administrative expenses in carrying out the 1963-crop feed grain and wheat stabilization programs during the period ending June 30, 1963. At the present time there is no legislation authorizing a program for diversion payments for the 1964 crop of feed grains. The funds required for work to be done in fiscal year 1964 on the 1963, 1964 and 1965 crops of wheat are included in the appropriation request.

2. A net decrease of $1,739,464 in other transfers authorized from CCC as follows:

a. An increase of $780,000 for expenses of the Wool Act Program. The workload under the National Wool Act will increase materially as a result of the change from a marketing year to a calendar year basis. Payments for the 1963 marketing year which would normally be made in fiscal year 1965 will now be made in fiscal year 1964 in addition to the payments on the 1962 marketing year. For example, applications will increase from 446,000 to 892,000 and 12,000 payments will be made for the first time under the Mohair Program. The change in marketing year to a calendar year was made to accelerate payments to producers and thereby discourage earlier than normal shearings which were being made in order to obtain earlier payments.

b. A net decrease of $28,500 in transfer of CCC funds for National and State office expenses consisting of an increase of $22,500 primarily for secretarial assistance to State defense boards offset by a decrease of $51,000 for expenses in connection with self-help stabilization programs. Responsibility for these programs has been transferred to the Agricultural Marketing Service.

c. A decrease of $486,964 in CCC administrative expense requirements due to decrease in program volume expected in fiscal year 1964. Loans made are expected to drop about 8% on all commodities except cotton and about 33-1/3% for cotton. Dispositions on all commodities are expected to drop by about 6%. On all commodities, except cotton, inventories are expected to decrease by about 6%.

d. A decrease of $1,500,000 in CCC administrative expenses is estimated as a direct result of increased productivity resulting from the establishment of the Data Processing Center in Kansas City. Indications are that the centralization of inventory accounting will result in increased productivity and efficiency with a resultant reduction in manpower requirements totalling 187 man-years in addition to other savings. A table showing the comparison of production rates before and after centralization of grain loan and inventory accounting in the Data Processing Center follows.

e. A decrease of $459,000 in electronic data processing equipment rental costs. Certain electronic data processing equipment is being purchased with CCC program funds in fiscal year 1963. This procurement is based on studies indicating that it is in the interest of the Government to purchase such equipment rather than to continue paying rent for several years. Estimates for 1964 machine rental costs have been reduced accordingly. Fiscal year 1963 savings in rental costs total $336,000, which amount has been placed in budgetary reserve.

f. A reduction of $45,000 in estimated transfer to "Salaries and Expenses, General Administration". This amount was transferred in 1963 from CCC administrative expenses, along with funds from other sources, to cover a portion of the costs of the Office of Inspector General.

A summary of the major program estimates for the fiscal years 1963 and 1964 follows:

By Commodities	Fiscal Year 1963	Fiscal Year 1964	Increase or Decrease
	(Units in thousands)		
1. LOANS MADE			
Corn (bu.)	440,000	375,000	-65,000
Cotton, upland (bales)	5,600	3,500	-2,100
Wheat (bu.)	250,000	300,000	+50,000
Grain sorghums (bu.)	185,700	160,500	-25,200
Rice, rough (cwt.)	8,000	7,000	-1,000
Other grains (bu.) 1/	172,900	180,300	+7,400
2. ACQUISITIONS			
Corn (bu.)	535,000	540,000	+5,000
Cotton, upland (bales)	3,300	3,100	-200
Wheat (bu.)	154,800	237,800	+83,000
Grain sorghums (bu.)	186,000	160,000	-26,000
Rice, rough (cwt.)	5,800	6,000	+200
Other grains (bu.) 1/	69,200	89,300	+20,100
Dairy products (lb.) 2/	1,970,000	1,970,000	- -
3. DISPOSITIONS			
Corn (bu.)	867,700	566,600	-301,100
Cotton, upland (bales)	100	3,100	+3,000
Wheat (bu.)	211,100	227,500	+16,400
Grain sorghums (bu.)	243,100	190,000	-53,100
Rice, rough (cwt.)	2,600	5,800	+3,200
Other grains (bu.) 1/	80,400	87,800	+7,400
Dairy products (lb.) 2/	1,739,900	1,875,000	+135,100
4. ENDING INVENTORIES			
Corn (bu.)	326,100	299,500	-26,600
Cotton, upland (bales)	4,600	4,600	- -
Wheat (bu.)	1,040,000	1,050,000	+10,000
Grain sorghums (bu.)	630,000	600,000	-30,000
Rice, rough (cwt.)	3,500	3,700	+200
Other grains (bu.)	98,200	99,700	+1,500
Dairy products (lb.)	1,363,300	1,458,300	+95,000

1/ Includes barley, oats, rye, soybeans, dry edible beans, and flaxseed.

2/ Includes butter, cheese and milk, nonfat dry.

A table relating the above program volume to work units, production rates, manpower and fund requirements follows.

Projected Productivity Increases Stemming From the Consolidation of Loan and Inventory Activities in the Data Processing Center
Fiscal Year 1964

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	Estimates Without Centralization of Loan and Inventory Activity			Department Est. due to Centralization of Loan and Inventory Activities		
			TOTAL UNITS	UNITS TO BE PROCESSED Per Man-Yr. (262 days)	Man-Years	TOTAL UNITS	UNITS TO BE PROCESSED Per Man-Yr. (262 days)	Man-Years
	DIRECT LABOR							
	PROGRAM ACTIVITIES							
	I. Inventory Management							
	A. Storage and Maintenance							
	1. Commercial							
01	a. Storage Contract Negotiations	Contract Documents	34,298	786	43.6			
	b. Inspection							
02	(1) By Commodity Office	Examination Report	49,563	210	236.0			
03	(2) By Other Agencies	Lot	52,335	12,524	4.2			
04	(3) Other	Examination Report	12,480	4,664	2.7			
	c. Payment of Storage and Related Charges							
05	(1) Cotton	Invoice	6,383	498	12.8			
06	(2) Other Commodities	Invoice	75,222	2,515	29.9		3,055	24.6
07	(3) Loading Order Settlement	Carlot	864,428	5,030	171.9		6,504	132.9
08	(4) Reconcentration Payment, Cotton	Reconcentration Order or Invoice	5,000	2,856	1.8			
09	(5) Other Services	Invoice	89,453	3,039	29.4			
10	2. CCC-Owned Facilities: Bin Acquisitions, Installation, Equipment and Maintenance	Transaction	8,000	1,755	4.6			
	B. Movements and Transfers							
	1. Delivery Instructions							
11	a. Loading Orders Issued	Carlot	864,428	9,065	95.4		12,118	71.3
12	b. Notices to Deliver	Lot	194,640	2,384	81.6			
13	c. Reconcentration Orders Issued, Cotton	Bale	500,000	31,597	15.8			
14	2. Deliveries	B/L or Delivery Receipt	1,103,897	3,275	337.1		3,810	289.7
	3. Freight Payments							
15	a. Cotton	Freight Bill	5,150	1,808	2.8			
16	b. Other Commodities	Freight Bill	763,733	5,083	150.3			
17	4. Post Audit of Freight Bills	Paid Freight Bill	347,499	34,846	10.0		49,946	7.0
18	5. Commodity Shipment Adjustments	Difference Card	124,175	7,362	16.9		9,022	13.8
	C. Commodity Stocks on Hand		5,908,009	664,746	8.9			
19	1. Commercial Storage	Warehouse Receipt	1,503,105	84,469	17.8			
20	2. CCC Storage	CCC Grain-55 *(Line Items)*	196,219	16,611	11.8		20,111	9.8
	II. Merchandising Activities							
21	A. Purchases	Carlot	98,889	2,122	46.6			
22	B. Sales and Donations	Carlot Other	743,945	3,668	21.4			
23	C.	Bale Cotton	1,004,000	47,003	202.8			
24	D. Final Settlement Cotton Sales	Bale	1,004,000	89,499	11.2			
25	E. Cotton Catalog *(Preparation and Distribution)*	Mat	6,139	3,930	1.6			
26	F. Dual and Exchange Contracts	Carlot	21,450	11,161	1.9			

Projected Productivity Increases Stemming From the Consolidation of Loan and Inventory Activities in the Data Processing Center
F. Y. 1964

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	Estimates without Centralization of Loan and Inventory Activities: TOTAL UNITS	UNITS TO BE PROCESSED Per Man-Y.	Man-Year	Department Est. due to Centralization of Loan and Inventory Activities: TOTAL UNITS	UNITS TO BE PROCESSED Per Man-Yr.	Man-Year
	III. Producers Transactions			(262 days)			(262 days)	
	A. Loan Making	Bale	2,490,400	22,349	111.4			
27	1. Centralized Loans	Note	777,712	10,192	76.3		12,980	59.9
28	2. De-Centralized Loans	CCC-296 and CCC-305	22,624	5,161	4.4		6,917	3.3
29	B. Certificates of Interest	Certificate	776,182	57,273	13.6		72,051	10.8
	C. Loan Liquidation	Bale	609,000	18,209	33.4			
	1. By Repayment							
30	a. Centralized Loans	Bale or Repayment Record	190,377	20,829	9.1		24,785	7.7
31	b. De-Centralized Loans	Schedule	42,553	12,104	3.5		14,065	3.0
	2. By Acquisition of Collateral							
32	a. Farm-stored	CCC-50	318,536	5,292	60.2		6,138	51.9
		Bale	1,552,000	142,240	10.9			
33	b. Warehouse Stored	Warehouse Receipt or Bale	607,643	32,357	18.8		35,593	17.1
34								
	D. Purchase Agreements							
35	1. Purchase Agreements Made	CP-1	61,653	30,418	2.0		33,460	1.8
36	2. Purchase Agreement Deliveries	CCC-5C	28,385	3,039	9.3		3,631	7.8
37	E. Settlements with Producers on Cotton Claims	Producers Settlement Statement	6,670	2,489	2.7			
38	F. Allocation of Reconcentration Charges to Cotton Loans	Bale	166,500	37,125	4.5			
39	G. Cotton Pool Distribution	Check or Statement	255	760	.3			
40	H.							
41	I. Conservation Reserve Program	Sight Draft						
42	J. National Wool Act Program	Sight Draft						
	IV. Miscellaneous Progrom Activities							
	A. Export Programs							
	1. Export Payments							
	a. IWA	Invoice or Certificate						
43	b. CCC	Invoice or Certificate	134,056	2,175	61.6			
44	2. Public Law 480 - Title I	Supplier's Invoice	7,605	550	13.8			
45	3. Registration or Declaration of Export	Notice or Declaration	78,500	9,091	8.6			
	B. Claims by and Against CSS							
46	1. Claims Determination, Review and Recordation	Claim Document	35,691	603	59.2			
47								
	3. Collection of Claims							
48	and Other Accounts Receivable	Receivable	123,721	1,965	63.0			
49	C. Cash Receipts	Cash Item or Schedule	881,255	17,344	50.8			
	D. Reports							
50	1. Regular Reports	Report	20,515	393	52.2			
51	2. Special Reports	Report	565	79	7.2			
52	E. Recordation of Transit	Freight Bill or Suppl. Cert.	663,574	19,283	34.4			
53	F. Emergency Grain Storage Fleet	Shiphold Inspection	20,741	603	34.4			
54	G. 1964 Wheat Program		346,321	119,786	2.9			
55	H. 1964 Feed Grain Program		-	-	-			
56	I. 1963 Feed Grain	Sight Draft or Certificate	1,826,840	119,786	15.3			
	Reimbursable Projects		-	-	143.9			
	Special Surveys & Miscellaneous All		-	-	66.5			
	1963 Wheat Program		402,597	119,786	3.4			
	TOTAL PROGRAM ACTIVITIES REQUESTS NOW RECEIVED	Man-days			2,548.4			2,390.6

Projected Productivity Increases Stemming From the Consolidation of Loan and Inventory Activities in the Data Processing Center
Fiscal Year 1964

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	Estimates Without Centralization of Loan and Inventory Activity TOTAL	Man-Years		Department Est. Due to Centralization of Loan and Inventory Activiti TOTAL	Man-Years	
	TOTAL PROGRAM ACTIVITIES - MAN-DAYS WORK RECEIVED	Man-Years		2,548.4			2,390.6	
	AUTOMATIC DATA PROCESSING ACTIVITIES							
57	*I. ADP Systems Analysis*	Man-Years		45.8				
58	*II. Programming*	Man-Years		76.2				
59	*III. Computer Operations and Control*	Man-Years		75.0				
	TOTAL ADP SYSTEMS	Man-Years		197.0			197.0	
	ADMINISTRATIVE ACTIVITIES							
60	*I. Personnel Work*	Man-Years		51.7				
61	*II. Budget, and Management Analysis*	Man-Years		104.6				
62	*III. Mail and Messenger*	Man-Years		39.4				
63	*IV. Other Administrative Activities*	Man-Years		150.7				
64								
	TOTAL ADMINISTRATIVE ACTIVITIES	Man-Years		346.4			346.4	
	TOTAL DIRECT LABOR, LESS LEAVE	Man-Years		3,091.8			2,934.0	
65	LEAVE, DIRECT LABOR	Man-Years		498.6			469.4	
	TOTAL DIRECT LABOR	Man-Years		3,590.4			3,403.4	
	INDIRECT LABOR *(Including Leave)*							
66	*I. Supervisory*	Man-Years		180.5				
67	*II. Secretarial*	Man-Years		119.5				
	TOTAL INDIRECT LABOR *(Schedule C)*	Man-Years		300.0			300.0	
	TOTAL MAN DAYS - OTHER THAN PROGRAM ACTIVITIES							
	GRAND TOTAL MAN-DAYS	Man-Years		3,890.4			3,703.4	

Management Savings

Man-Years	187.0
Average Salary	$5,484
Personnel compensation.....	$1,025,508
Object classes 12 - 26	400,000
Total commodity offices (direct) ...	1,425,508
Rents and Miscellaneous Cost allotted to Washington	74,492
Total Savings.....	1,500,000

3. An increase of $2,047,500 to continue the provision for a contingency reserve of 7%. The language of the current CCC administrative expense limitation provides for a contingency reserve of not less than 7% of the amount authorized. For fiscal year 1964 the funds available to ASCS under the administrative expense limitation are to be transferred to and merged with other funds in "Expenses, Agricultural Stabilization and Conservation Service". It is proposed that provision for a contingency reserve continue to be included in the item "CCC Administrative Expenses" to be released for transfer to "Expenses, ASCS" only upon the approval of the Bureau of the Budget.

The administrative expense requirements of CCC programs fluctuate according to the volume of commodities placed under price support, acquired, and disposed of. The volume of loan and inventory operations is unpredictable.

Since the estimated administrative expense requirements for price support programs are based on tentative program estimates, requirements could change considerably depending upon the volume of loan and inventory operations. The estimated savings due to increased productivity could be materially affected by fluctuations in program volume.

There are many factors contributing to the uncertainty of the program volume estimates upon which estimates of administrative expense requirements are based. Of major importance is the fact that the 1963 crops, from which a large portion of the program volume will occur during the fiscal year 1964 have not as yet been planted.

Factors other than the inability to estimate the volume of future production, such as agricultural production abroad and changes in domestic and world economic conditions, influence the operations of the Corporation. For example, a change of a few cents in the marketing price of a commodity at harvest time would have an immediate impact on the volume of loans made. A change of a few cents during a loan period may have considerable bearing on the volume of redemptions and collateral acquired by the Corporation. Favorable yields in just one or two States can change the storage situation in a matter of days, requiring unexpected movement of commodities to provide for current production so that producers would not be deprived of the benefits of the price support programs.

Since price support is mandatory for the bulk of commodities, the Corporation cannot control the volume of loans and purchases made. In the interest of the Government, it is extremely important that provision for a full 7% contingency reserve be continued, to deal with additional workload in case program volume exceeds current estimates.

(2) An increase of $4,683,501 for pay and postal costs consisting of:

(a) An increase of $3,412,166 in direct appropriations composed of:

1. An increase of $3,216,546 consisting of $1,777,520 to provide for full year costs of the first step of the pay increase pursuant to P. L. 87-793 and $1,439,026 for fiscal year 1964 cost of the additional increase effective January 5, 1964. (An over-all explanation of increases for pay act costs is included in the preface to these Explanatory Notes in Volume 1.)

2. An increase of $195,620 for additional postal costs pursuant to Public Law 87-793. (An over-all explanation of increases for postal costs is included in the preface to these Explanatory Notes in Volume 1.)

(b) An increase of $1,271,335 in funds transferred from Commodity Credit Corporation composed of:

1. An increase of $1,184,705 consisting of $126,256 to provide for full year costs of the first step of the pay increase pursuant to P. L. 87-793 and $1,058,453 for fiscal year 1964 cost of the additional increase effective January 5, 1964. (An over-all explanation of increases for pay act costs is included in the preface to these Explanatory Notes in Volume 1.)

2. An increase of $86,630 for additional postal costs pursuant to Public Law 87-793. (An over-all explanation of increases for postal costs is included in the preface to these Explanatory Notes in Volume 1.)

The following tables relating the Commodity Credit Corporation program volume to work units, shows production rates and resultant manpower data and displays budgetary requirements. This tabulation was formerly carried under the Commodity Credit Corporation Administrative Expense limitation item but as these funds are now transferred to and merged with Expenses, ASCS. This table is now included with the Explanatory Notes for this account.

CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	Fiscal Year 1963			Fiscal Year 1964		
			TOTAL UNITS	UNITS TO BE PROCESSED per M.Y.	Man-years	TOTAL UNITS	UNITS TO BE PROCESSED per M.Y.	Man-Years
	DIRECT LABOR			(260 days)			(262 days)	
	PROGRAM ACTIVITIES							
	I. Inventory Management							
	A. Storage and Maintenance							
	1. Commercial							
01	a. Storage Contract Negotiations	Contract Documents	34,298	780	44.0	34,298	786	43.6
	b. Inspection							
02	(1) By Commodity Office	Examination Report	49,563	208	238.3	49,563	210	236.0
03	(2) By Other Agencies	Lot	52,235	12,428	4.2	52,335	12,524	4.2
04	(3) Other	Examination Report	12,480	4,628	2.7	12,480	4,664	2.7
	c. Payment of Storage and Related Charges							
05	(1) Cotton	Invoice	6,383	494	12.9	6,383	498	12.8
06	(2) Other Commodities	Invoice	75,222	2,496	30.1	75,222	3,055	24.6
07	(3) Loading Order Settlement	Carlot	932,974	4,992	186.9	864,428	6,504	132.9
08	(4) Reconcentration Payment, Cotton	Reconcentration Order or Invoice	5,000	2,834	1.8	5,000	2,856	1.8
09	(5) Other Services	Invoice	89,453	3,016	29.7	89,453	3,039	29.4
10	2. CCC-Owned Facilities: Bin Acquisitions, Installation, Equipment and Maintenance	Transaction	8,000	1,742	4.6	8,000	1,755	4.6
	B. Movements and Transfers							
	1. Delivery Instructions							
11	a. Loading Orders Issued	Carlot	932,974	8,996	103.7	864,428	12,118	71.3
12	b. Notices to Deliver	Lot	140,462	2,366	59.4	194,640	2,384	81.6
13	c. Reconcentration Orders Issued, Cotton	Bale	500,000	31,356	15.9	500,000	31,597	15.8
14	2. Deliveries	B/L or Delivery Receipt	1,155,121	3,250	355.4	1,103,897	3,810	289.7
	3. Freight Payments							
15	a. Cotton	Freight Bill	5,150	1,794	2.9	5,150	1,808	2.8
16	b. Other Commodities	Freight Bill	799,334	5,044	158.5	763,733	5,083	150.3
17	4. Post Audit of Freight Bills	Paid Freight Bill	363,697	34,580	10.5	347,499	49,946	7.0
18	5. Commodity Shipment Adjustments	Difference Card	129,964	7,306	17.8	124,175	9,022	13.8
	C. Commodity Stocks on Hand Cotton	Bale	6,696,005	659,672	10.2	5,908,009	664,746	8.9
19	1. Commercial Storage Other	Warehouse Receipt	1,618,428	83,824	19.3	1,503,105	84,469	17.8
20	2. CCC Storage	CCC Grain-55 *(Line Items)*	196,219	16,484	11.9	196,219	20,111	9.8
	II. Merchandising Activities							
21	A. Purchases	Carlot	92,852	2,106	44.1	98,889	2,122	46.6
22	B. Sales and Donations Cotton	Bale	308,551	46,644	6.6	1,004,000	47,003	21.4
23	C. Other	Carlot	802,000	3,640	220.3	743,945	3,668	202.8
24	D. Final Settlement Cotton Sales	Bale	308,551	88,816	3.5	1,004,000	89,499	11.2
25	E. Cotton Catalog *(Preparation and Distribution)*	Mat	6,139	3,900	1.6	6,139	3,930	1.6
26	F. Dual and Exchange Contracts	Carlot	21,450	11,076	1.9	21,450	11,161	1.9

CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	Fiscal Year 1963			Fiscal Year 1964		
			TOTAL UNITS	UNITS TO BE PROCESSED per M.Y.	Man-Years	TOTAL UNITS	UNITS TO BE PROCESSED per M.Y.	Man-Years
				(260 days)			(262 days)	
	III. Producers Transactions							
	A. Loan Making	Bale	3,090,400	22,178	139.3	2,490,400	22,349	111.4
27	1. Centralized Loans	Note	837,653	10,114	82.8	777,712	12,980	59.9
28	2. De-Centralized Loans	CCC-296 and CCC-305	22,624	5,122	4.4	22,624	6,917	3.3
29	B. Certificates of Interest	Certificate	842,126	56,836	14.9	776,182	72,051	10.8
	C. Loan Liquidation	Bale	824,881	18,070	45.6	609,000	18,209	33.4
	1. By Repayment							
30	a. Centralized Loans	Repayment Record	228,434	20,670	11.1	190,377	24,785	7.7
31	b. De-Centralized Loans	Schedule	42,553	12,012	3.5	42,553	14,065	3.0
	2. By Acquisition of Collateral							
32	a. Farm-stored	CCC-50	339,716	5,252	64.7	318,536	6,138	51.9
		Bale	3,201,789	141,154	22.7	1,552,000	142,240	10.9
33	b. Warehouse Stored	Warehouse Receipt	565,685	32,110	17.7	607,643	35,593	17.1
34								
	D. Purchase Agreements							
35	1. Purchase Agreements Made	CP-1	64,536	30,186	2.1	61,653	33,460	1.8
36	2. Purchase Agreement Deliveries	CCC-50	31,009	3,016	10.3	28,385	3,631	7.8
37	E. Settlements with Producers on Cotton Claims	Producers Settlement Statement	6,670	2,470	2.7	6,670	2,489	2.7
38	F. Allocation of Reconcentration Charges to Cotton Loans	Bale	116,500	36,842	3.2	166,500	37,125	4.5
39	G. Cotton Pool Distribution	Check or Statement	255	754	.3	255	760	.3
40	H.							
41	1. Conservation Reserve Program	Sight Draft						
42	J. National Wool Act Program	Sight Draft						
	IV. Miscellaneous Program Activities							
	A. Export Programs							
	1. Export Payments							
43	a. IWA	Invoice or Certificate						
	b. CCC	Invoice or Certificate	124,582	2,158	57.7	134,056	2,175	61.6
44	2. Public Law 480 - Title I	Supplier's Invoice	7,605	546	13.9	7,605	550	13.8
45	3. Registration or Declaration of Export	Notice or Declaration	78,500	9,022	8.7	78,500	9,091	8.6
	B. Claims by and Against CSS							
46	1. Claims Determination, Review and Recordation	Claim Document	35,691	598	59.7	35,691	603	59.2
47								
	3. Collection of Claims							
48	and Other Accounts Receivable	Receivable	123,721	1,950	63.4	123,721	1,965	63.0
49	C. Cash Receipts	Cash Item or Schedule	829,352	17,212	48.2	881,255	17,344	50.8
	D. Reports							
50	1. Regular Reports	Report	20,515	390	52.6	20,515	393	52.2
51	2. Special Reports	Report	565	78	7.2	565	79	7.2
52	E. Recordation of Transit	Freight Bill or Suppl. Cert.	663,574	19,136	34.7	663,574	19,283	34.4
53	F. Emergency Grain Storage Fleet	Shiphold Inspection	20,741	598	34.7	20,741	603	34.4
54	G. 1962 Wheat Program		1,138,095	118,872	9.6	346,321	119,786	2.9
55	H. 1962 Feed Grain Program		2,382,251	118,872	20.0	--	--	--
56	I. 1963 Feed Grain Program	Sight Draft or Certificate	1,818,182	118,872	15.3	1,826,840	119,786	15.3
	1963 Wheat Stabilization Program		259,740	118,872	2.2	402,597	119,786	3.4
	Special Surveys and Miscellaneous Allowances		--	--	66.5	--	--	66.5
	Reimbursable Projects		--	--	128.5	--	--	143.9
	TOTAL PROGRAM ACTIVITIES: MAN-DAYS WORK RECEIVED	Man-days			2,646.9			2,390.6

CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	Fiscal Year 1963 MAN-YEARS (260) days	Fiscal Year 1964 MAN-YEARS (262 days)
	TOTAL PROGRAM ACTIVITIES - MAN-DAYS WORK RECEIVED	Man-Years	2,646.9	2,390.6
	AUTOMATIC DATA PROCESSING ACTIVITIES			
57	*I. ADP Systems Analysis*	Man-Years	45.8	45.8
58	*II. Programming*	Man-Years	76.2	76.2
59	*III. Computer Operations and Control*	Man-Years	75.0	75.0
	TOTAL ADP SYSTEMS	Man-Years	197.0	197.0
	ADMINISTRATIVE ACTIVITIES			
60	*I. Personnel Work*	Man-Years	51.7	51.7
61	*II. Budget, and Management Analysis*	Man-Years	104.6	104.6
62	*III. Mail and Messenger*	Man-Years	39.4	39.4
63	*IV. Other Administrative Activities*	Man-Years	150.7	150.7
64				
	TOTAL ADMINISTRATIVE ACTIVITIES	Man-Years	346.4	346.4
	TOTAL DIRECT LABOR, LESS LEAVE	Man-Years	3,190.3	2,934.0
65	LEAVE, DIRECT LABOR	Man-Years	510.4	469.4
	TOTAL DIRECT LABOR	Man-Years	3,700.7	3,403.4
	INDIRECT LABOR *(Including Leave)*			
66	*I. Supervisory*	Man-Years	180.5	180.5
67	*II. Secretarial*	Man-Years	119.5	119.5
	TOTAL INDIRECT LABOR *(Schedule C)*	Man-Years	300.0	300.0
	Total, All Labor	Man-Years	4,000.7	3,703.4

	Cost		Cost	
Average salary	$5,442		$5,484	
Personnel Compensation	$21,771,809		$20,309,446	
Less Man-Years equivalent overtime		85.7		-85.7
Total, Objects 12/26	4,332,924		3,555,541	
Total, Commodity Offices (direct)	26,104,733	3,915.0	23,864,987	3,617.7
Rents and Miscellaneous Costs	4,417,059		4,445,443	
Washington Division and Offices	8,940,570	891.6	8,740,570	891.6
ASCS Pay and Postal Cost (P.L. 87-793)	1,394,000		2,486,000	
Transfers to FAS	1,265,000		1,417,000	
Transfers to Cooperating Agencies	718,138		720,000	
Less Estimated Reimbursements	-960,000	-130.4	-1,053,000	-145.8
Total CCC Administrative Expenses	41,879,500	4,676.2	40,621,000	4,363.5
Reserve for Contingency	1,309,000		3,254,000	
Total limitation	43,188,500		43,875,000	

STATUS OF PROGRAM

This appropriation account for administrative expenses of ASCS National, Commodity, State, and county offices is to finance programs administered by, and functions delegated to, the Agricultural Stabilization and Conservation Service. This appropriation account includes transfers from the Commodity Credit Corporation and miscellaneous advances from other accounts.

A brief description of the programs financed from the appropriation and the volume of work performed during fiscal year 1962 under some of the major programs are set forth below. Where available, the 1963 estimated volume of work is shown.

Acreage allotments and marketing quotas. The Agricultural Adjustment Act of 1938, as amended, authorizes production adjustment for designated basic commodities (tobacco, peanuts, wheat, cotton, and rice) through acreage allotments and adjustment of supplies through marketing quotas. Marketing quotas must be proclaimed, in the case of wheat, cotton, and rice, when the total supply reaches a specified level in relation to normal supply, for tobacco, when the total supply exceeds the reserve supply level, and for peanuts, each year regardless of the supply situation.

Acreage allotment and marketing quota programs are in effect on the 1963 crop of all designated basic commodities. It is assumed that they will also be in effect on the 1964 crop of all designated basic commodities. The following data relate to the 1963 fiscal year.

	Number of Allotments	Allotted Acreage	Counties in program
Tobacco	571,378	1,197,358	935
Peanuts	105,823	1,610,000	508
Wheat	1,646,412	54,933,716	2,620
Cotton	935,867	16,149,880	1,092
Rice	15,016	1,818,166	157

Agricultural conservation program. The objectives of this program, authorized by sections 7 to 16(a), inclusive, and section 17 of the Soil Conservation and Domestic Allotment Act, as amended, include (1) restoring and improving soil fertility, (2) reducing erosion caused by wind and water, and (3) conserving water on the land.

Cost-sharing assistance is furnished to individual farmers and ranchers in the 50 States, Puerto Rico, and the Virgin Islands for carrying out approved soil-building and soil-and water-conserving practices on their farms. This assistance represents only a part of the cost of carrying out the practice. The farmer bears the balance of the cost and in addition, furnishes the labor and management necessary to carry out the practice. The following data relate to the 1961 ACP:

Number of payees	1,257,079 a/
Total number of farms	4,973,484
Number of participating farms	1,216,556
Number of counties in program	3,070

a/ Excludes Naval Stores and emergency practices.

Conservation reserve program. This program, authorized by the Soil Bank Act, is a program under which farmers voluntarily contracted to take land out of production for a specified number of years and to devote such land to conservation uses. The 1960 program was the last program under which new contracts were authorized.

Under the program, producers receive annual payments for the contract period on the land taken out of production and assistance in cash or conservation materials and services for carrying out approved conservation practices. It is estimated that by the end of fiscal year 1963 almost all of the practices to be carried out under the contracts will have been completed. Data for the 1962 program are as follows:

Number of farms having contracts	269,644
Number of acres in program	25,655,625
Number of counties in program	2,872

Special Feed Grain and Wheat Stabilization Programs. Public Law 87-5 authorized a special agricultural conservation program for the 1961 crop of corn and grain sorghums. The Agricultural Act of 1961 continued the program and broadened it to include barley and also provided for a special program for the 1962 crop of wheat. The Food and Agriculture Act of 1962 provides for special programs on the 1963 crop of corn, grain sorghums, barley and wheat. The chief objectives of these programs are to (1) increase farm income, (2) prevent further buildup of surplus stocks and, if possible, to reduce such stocks, and (3) reduce program costs of price support activities.

Feed grain program - 1962

Number of farms with base acreage	3,182,269
Number of farms signed up	1,341,601
Number of intended diverted acres	32,684,300

Wheat stabilization program - 1962

Number of farms with base acreage	1,811,066
Number of farms signed up	821,845
Number of intended diverted acres	15,065,300

Sugar Act Program. This program, authorized by the Sugar Act of 1948, as amended, is designed to (1) provide an assured supply of sugar for U. S. consumers at stable and reasonable prices, (2) make it possible, as a matter of national security, to produce a substantial part of domestic sugar requirements within the continental United States without the consumer penalizing device of high level protective tariff, and (3) serve important foreign policy objectives. Estimated workload for the 1962 crop is as follows:

Estimated number of farms	42,703
Number of counties	287
Estimated planted acreage	2,247,830

Price Support Program activities include reinspection of farm-stored loans, including reseal loans, processing loan repayments, acquiring commodities under loan or purchase agreements, and sale of grain under the Livestock Feed Program. Data for the fiscal year 1962 are:

Number of warehouse-stored loans	426,402
Number of farm-stored loans	385,651
Number of reinspections of farm-stored commodities	1,263,894
Number of loans and purchase agreements under which CCC acquired the commodity	593,726
Number of repayments	223,596

Grain Storage Structures Program activities include erection of storage structures, preparation of new bin sites and expansion of existing bin sites, and maintenance and operation of structures. Workload data for the fiscal year 1962 follow:

Number of storage structure sites	3,821
Number of storage structures (bins)	236,910

National Wool Act Program. Under the provisions of the National Wool Act of 1954, incentive payments are made to producers to encourage the annual domestic production of about 300 million pounds of shorn wool. Incentive payments are made to eligible producers on a percentage basis, reflecting the amount required to bring the national average received by all producers to the announced incentive level. The incentive level, by law, cannot exceed 110% of parity.

Number of applications for payment	445,840
Number of assignments	14,652

(b) Sugar Act Program

Appropriation Act, 1963 and base for 1964	$77,650,000
Budget Estimate, 1964	80,000,000
Increase (for payments to sugar producers due to increased sugar production)	+2,350,000

PROJECT STATEMENT

Project	1962	1963 (estimated)	Increase or Decrease	1964 (estimated)
Payments to sugar producers:				
a. Continental beet area	$42,306,223	$43,182,300	+$1,802,900	$44,985,200
b. Continental cane area	10,860,179	13,074,000	-3,468,415	9,605,585
c. Offshore cane area	22,588,598	21,393,700	+4,015,515	25,409,215
Total payments	75,755,000	77,650,000	+2,350,000(1)	80,000,000
Transferred in the 1963 estimates to "Expenses, Agricultural Stabilization and Conservation Service	2,245,000	- -	- -	- -
Total appropriation or estimate	78,000,000	77,650,000	+2,350,000	80,000,000

INCREASES AND DECREASES

(1) The increase of $2,350,000 in payments is composed of:

(a) An increase of $1,802,900 for conditional payments to producers in the domestic beet area. The decision not to establish restrictive proportionate shares (acreage allotments) for the 1963 crop of sugar beets and the expanded sugar marketing opportunities provided under P.L. 87-535 result in estimated production of not less than 2,900,000 short tons, raw value. This is 250,000 tons more than the 1962 crop is expected to produce. Total payments on this crop amount to $47,235,200 with $2,250,000 being deferred until 1965.

(b) A decrease of $3,468,415 in payments to producers in the mainland cane area. Production from the 1963 crop in the mainland cane area is estimated at 1,000,000 tons which is the same as the 1962 crop estimate. Total payments on this crop amount to $13,074,000, with $3,468,415 being deferred until 1965.

(c) An increase of $4,015,515 for payments to producers in the offshore cane area. This is comprised of:

1. An increase of $465,250 for Hawaii. The 1963 crop production is estimated at 1,150,000 tons which is 50,000 tons higher than the area's 1962 crop production estimate and in line with its probable 1963 sugar quota and carryover inventory requirements.

2. An increase of $52,035 for the Virgin Islands. The 1963 crop in the Virgin Islands is estimated at 15,000 tons which is 4,000 tons more than the area's 1962 crop which was adversely affected by drought during the growing season. However, the estimate is in line with the Island's probable 1963 quota.

3. An increase of $3,498,230 in payments to Puerto Rico sugar producers. On the basis of estimated production of 1,200,000 tons from the 1963 crop, payments of $16,842,000 will be earned during the fiscal year 1964. To this is added $14,513,330 for payments on the 1962 crop estimated to remain unpaid as of June 30, 1963, making requirements for payments for the fiscal year 1964 total $31,355,330. The estimates provide $14,513,330 to complete payments on the 1962 crop and nothing for payments on the 1963 crop. This is an increase of $3,498,230 over the $11,015,100 to be paid to producers from fiscal year 1963 funds for 1961 and 1962 Puerto Rican crops. As a result, payments of $16,842,000 on the entire 1963 crop will be deferred until fiscal year 1965.

The appropriation requested anticipates that actual payment requirements in the fiscal year 1964 may be less than those indicated by current forecasts of production. If production materializes to the extent of such forecasts, additional funds will be required.

Total sugar production from 1963 crops is estimated at 6,265,000 short tons, raw value. This is an increase of 304,000 tons over the estimated total production from the 1962 crops. Production estimates for the 1963 crop are based upon an analysis and consideration of the following factors: (a) Statistical Reporting Service crop reports; (b) effective inventory of sugar on January 1, 1962; (c) probable production and consumption of sugar during 1962; (d) prospective effective sugar inventory on January 1, 1963; (e) prospective level of consumers sugar requirements for the calendar year 1963; and (f) quota provisions of the Sugar Act. To estimate payment requirements for the 1963 crop, estimated area production was multiplied by the weighted average rate of payment per ton of sugar produced from the crops of 1956 through 1960, except for Hawaii and the Virgin Islands. For Hawaii, 1961 crop data were included and 1958 data excluded in computing the five-year average payment rate. For the Virgin Islands a five-year average rate was computed from data for the 1955, 1956, 1957, 1959 and 1961 crops. The conditions affecting the 1958 Hawaiian and the 1958 and 1960 Virgin Islands crops were so abnormal that inclusion of such data in the base would result in unrealistic average rates.

The number of payees under the Sugar Act program is shown in Table I. The estimate for the 1963 crop program compared with prior year data by areas on tonnage, production, total payments and average payments per ton is shown in Table II. The method of financing payments to producers is shown by crop years and fiscal years under Status of Program.

NUMBER OF PAYEES

Table I

	1961 Crop	1962 Crop (est.)	1963 Crop (est.)
Continental sugar beet area	39,826	40,500	41,500
Continental sugar cane area	5,682	5,750	5,750
Hawaii	867	900	900
Puerto Rico	14,400	13,800	13,500
Virgin Islands	193	195	195
Total	60,968	61,145	61,845

Sugar Program Data 1961-1963 Crop Years

Table II

Area	1962 Fiscal Year (1961 Crop Year) (Actual)	1963 Fiscal Year (1962 Crop Year) (Estimated)	1964 Fiscal Year (1963 Crop Year) (Estimated)	Increase (+) or Decrease (-) 1963 Crop Compared with 1962 Crop
Beet Area				
Tons produced	2,425,000	2,650,000	2,900,000	+250,000
Total payments	$42,288,223	$43,163,200	$47,235,200	+$4,072,000
Payment per ton	$17.438	$16.288	$16.288	- -
Mainland Cane Area				
Tons produced	858,000	1,000,000	1,000,000	- -
Total payments	$10,860,179	$13,074,000	$13,074,000	- -
Payment per ton	$12.658	$13.074	$13.074	- -
Hawaii				
Tons produced	1,092,000	1,100,000	1,150,000	+50,000
Total payments	$9,965,119	$10,235,500	$10,700,750	+$465,250
Payment per ton	$9.126	$9.305	$9.305	- -
Puerto Rico				
Tons produced	1,010,000	1,200,000	1,200,000	- -
Total payments	$14,125,200	$16,842,000	$16,842,000	- -
Payment per ton	$13.985	$14.035	$14.035	- -
Virgin Islands				
Tons produced	16,600	11,000	15,000	+4,000
Total payments	$212,876	$143,100	$195,135	+$52,035
Payment per ton	$12.824	$13.009	$13.009	- -
Total				
Tons produced	5,401,600	5,961,000	6,265,000	+304,000
Total payments	$77,451,597	$83,457,800	$88,047,085	+$4,589,285
Payments per ton	$14.339	$14.001	$14.054	+$.053

SIATUS OF PROGRAM

The sugar program operates to provide an assured supply of sugar for U. S. consumers at stable and reasonable prices, maintains a healthy domestic sugar producing and processing industry which could provide a base for rapid expansion of U. S. sugar production if foreign supplies should be cut off, and serves important foreign policy objectives.

Current Activities: The following activities are conducted:

1. Sugar requirements, marketing and import quotas, and marketing allotments are established to provide an adequate supply of sugar for U. S. consumers, orderly marketing conditions, and sugar prices that will fairly and equitably maintain the domestic sugar industry.

2. Proportionate share determinations - Proportionate shares for farms are required in an area when the indicated sugar production from sugar crops would be greater than the quantity needed to fill the quota and provide a normal inventory for such area.

3. Fair wage and price determinations establish fair and reasonable wage rates for fieldworkers and fair prices for sugarcane and sugar beets.

4. Payments to farmers are made upon condition that they comply with proportionate share determinations, non-employment of child labor, fair wage determinations, and fair price determinations if they are also processors of beets or cane.

5. Representation is furnished to the International Sugar Agreement. This Agreement provides for an International Sugar Council representing 30 exporting and 12 importing countries which together account for approximately 90 percent of the world free market in sugar. The Council attempts to keep world free market requirements and supplies in balance and to otherwise maintain stability in world sugar prices.

6. Studies, surveys, and reports are made on various aspects of the program.

Selected Examples of Recent Progress: Legislative changes and recent program developments are summarized below.

Amendment and extension of the Sugar Act:

1. Public Law 87-535 included the following major legislative changes, among others:

   a. Extended the Sugar Act of 1948, as amended, through December 31, 1966 with respect to domestic areas and the Philippines, and to December 31, 1964 with respect to quotas for other foreign countries.

   b. Increased quotas for domestic sugar producing areas, and assigned 65 percent of future market growth to mainland areas.

   c. Established specific foreign quotas plus a "global quota" representing an amount for Cuba to be purchased from other countries until such time as diplomatic relations with Cuba are resumed.

   d. Reduced the premium over world prices which accrues to foreign suppliers. Provision is made for full recapture of the premium on "global quota" sugar and for a graduated recapture of 10% of the premium in 1962 to 30% in 1964 on sugar within individual country quotas. The premium recapture will be deposited in the U. S. Treasury through levy of an import fee.

2. Public Law 87-539 made provision for additional quotas and the allocation of quota deficits to Western Hemisphere countries. The President has authorized additional quotas for Argentina and the Dominican Republic under authority of this law.

Requirements, Quotas, and Marketing Allotments:

Sugar requirements, quotas, and non-quota purchase allocations for the calendar years 1961 and 1962 are shown in the following table:

Production Area	1961 Quotas (Final)	1962 Quotas (Final)
	Short tons, Raw value	
Domestic beet sugar	2,609,170	2,650,000 2/
Mainland cane sugar	715,000	845,000 2/
Hawaii	1,030,000 1/	1,080,000 2/
Puerto Rico	980,000 1/	890,000 2/
Virgin Islands	17,330	11,000 2/
Philippines	980,000	1,120,000
Other foreign countries	371,305	1,217,606
Total quotas	6,702,805	7,813,606
Authorized non-quota purchase allocation under Sec. 408 (b) of the Act	3,117,195	1,604,212
Non-quota purchase sugar not authorized	180,000	0
Cuban reserve (global) quota (July-Dec.)	0	582,182
Total requirements	10,000,000	10,000,000

1/ Adjusted for deficits. Unadjusted quotas were: Hawaii, 1,215,410 and Puerto Rico, 1,270,865 short tons, raw value.

2/ Adjusted for deficits. Unadjusted quotas were: Domestic beet area, 2,795,769; Mainland cane sugar area, 944,231; Hawaii, 1,110,000; Puerto Rico, 1,140,000; Virgin Islands, 15,000; short tons, raw value.

1. Domestic Sugar Prices

An important objective of the sugar program is to stabilize prices to U. S. consumers, which fluctuated violently prior to enactment of the first Sugar Act. The monthly average wholesale price of refined cane sugar at New York, during the 1962 fiscal year, ranged from a high of 9.60 cents per pound in April, May, and June of 1962, to a low of 9.19 cents in October and November 1961. The average price for the year was 9.41 cents per pound compared to 9.56 cents for fiscal year 1961.

2. Marketing Allotments

Section 205 (a) of the Act provides that the quotas for an area shall be allotted to persons who market or import sugar when found necessary to insure orderly marketing and to afford interested persons an equitable opportunity to market sugar within such quota.

A public hearing was held in August, 1961 regarding allotment of the 1961 calendar year quota for the domestic beet sugar area. The hearing record showed that the supply of beet sugar available for marketing in 1961 was sufficiently in excess of the area's 1961 quota to cause disorderly marketing and to prevent some interested persons from having equitable opportunities to market sugar unless the quota was allotted. Consequently, an allotment order regulating the marketing of sugar within the quota for the domestic beet sugar area was issued in September and became effective October 5, 1961. On November 6, 1961, the allotments for domestic beet sugar processors were revised slightly for the purpose of substituting final data for estimated data previously used in the allotment method. A final revision was made on December 21, 1961, to prorate marketing allotment deficits for two processors to six other beet sugar processors able to market additional sugar.

An order effective January 1, 1962, established interim allotments of 80 percent of the quota for the domestic beet sugar area for the six month period ending June 30, 1962. Effective March 15, 1962, the order was amended to allot the full quota and was based on the record of a public hearing held November 28, 1961 and reconvened on February 8, 1962. Allotments were revised effective May 1 and May 26, 1962, to give effect to quota increases for the beet sugar area. A further increase in the area's quota on May 31, 1962, made allotments unnecessary and effective June 6, 1962, beet processor allotments were rescinded.

Since total Puerto Rican sugar supplies in 1961 were less than the Island's 1961 quotas, it was not necessary to restrict marketings of Puerto Rican sugar except for that shipped to the U. S. mainland for direct consumption. Allotments governing such sugar were issued for calendar year 1961. Marketing allotments covering Puerto Rico's mainland and local consumption quotas were issued for the first six months of 1962.

3. Proportionate Share Determinations - Whenever the Secretary determines that the production of sugar from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota and provide a normal carryover inventory, restrictive proportionate shares are established for farms in the area for such crop. Restrictive proportionate shares are not in effect in any area for the 1962 crop.

Fair Wage and Price Determinations:

The Sugar Act requires that the Secretary establish fair and reasonable wage rates for fieldworkers and fair prices for sugarcane and sugar beets after investigation, notice, and public hearing. Determinations of wages and prices are issued annually for the sugar beet area and the Virgin Islands. For Louisiana, Florida, Puerto Rico, and Hawaii, fair price determinations are issued annually, but the wage determinations for these areas have been placed on a continuing basis or until amended, superseded, or terminated.

The 1962-crop wage determination for the sugar beet area was issued March 7, 1962, and continued in general the provisions of the 1961 crop determination, except that the hourly rate for specified hand labor operations was increased 10 cents--from 85 to 95 cents per hour.

On October 30, 1961, following a public hearing in August, the Secretary issued a wage determination for Louisiana effective November 2, 1961 for harvest work and January 1, 1962 for production and cultivation work and it will continue in effect until amended, superseded, or terminated. The minimum time rates were increased 5 cents per hour but the piecework rates were not changed.

Wage determinations for the calendar years 1961 and 1962 were issued in August 1961 and February 1962, respectively, for the Virgin Islands. The 1961 determination increased the minimum rate for chemical sprayers 12 cents per hour, and for other classes of work, 10 cents per hour. It also required that workers be paid overtime rates for work in excess of 40 hours per week instead of the 44 hours provided in prior determinations. The 1962 determination for the Virgin Islands continued the provisions of the 1961 determination.

Effective August 22, 1961, and continuing until amended, superseded or terminated, the wage determination for Florida increased the minimum wage rates over the prior determination by 10 cents per hour for all classes of workers.

Fair price determinations for sugarcane and sugar beets were issued for each of the respective domestic producing areas. The determinations continued the provisions of prior determinations in most major respects.

During the fiscal year, investigations of problems relating to the development of wage and price determinations were conducted in all domestic producing areas prior to public hearings in such areas. Also a field study was conducted of man-hour requirements for hoeing, hoe trimming, and blocking and thinning sugar beets under various field conditions and to appraise the effectiveness of the designated piecework operations and rate structure and to obtain data to be used in developing subsequent wage determinations.

Payments to Producers:

Payments are made to domestic producers of sugar beets and sugarcane who comply with certain requirements with respect to proportionate shares (acreage allotments), non-employment of child labor, payment of fair and reasonable wages and, in the case of processor-producers, the payment of fair and reasonable prices for sugar beets or sugarcane purchased from other producers.

Pursuant to Title III of the Sugar Act of 1948, conditional payments on the 1961 crops totaling $77,451,597 were made to about 60,968 sugar beet and sugarcane producers in 23 States, Puerto Rico and the Virgin Islands.

International Sugar Agreement:

During fiscal year 1962 five more nations--India, Lebanon, Nigeria, Paraguay, and Italy--ratified the International Sugar Agreement. Two additional countries, Argentina and Upper Volta, were approved for membership but had not deposited their Instruments of Accession with the Depository Government at the close of the fiscal year.

World sugar prices (as quoted by the N.Y. Coffee and Sugar Exchange) were extremely erratic during the fiscal year and averaged well below the minimum of the range established by the International Sugar Council as a desirable price level for sugar. The Council's efforts to stabilize prices were nullified because the export quotas determined by the Council were flouted by the largest exporter, Cuba, and by several Eastern European exporting countries. World sugar prices improved substantially after enactment of the United States Sugar Act Amendments which included provision for a global quota.

The United Nations called an International Sugar Conference September 12, 1961, at Geneva, Switzerland, to examine the operations of the Agreement and to consider changes in quotas and prices Council members might propose for the remaining two years of the Agreement. Because of unreasonable demands by Cuba, the Council suspended quotas for the remaining two years of the Agreement, following which the conference was adjourned on December 15, 1961.

Prior to the aforesaid conference a preparatory committee, of which the U.S. is a member, worked for more than a year developing basic information on world production and consumption trends as well as the operations of the Agreement and its effect on stabilizing world prices. Following adjournment of the Council session the committee began working in preparation for a renegotiation conference to be held in 1963. Among the matters that will receive special attention at the forthcoming conference are the effects of sugar tariff actions by the European Economic Community as well as the impact of the new U.S. Sugar Act, particularly the accessibility that numerous countries now have to the United States market. Many countries that formerly imported all of their sugar requirements are now energetically developing a program of sugar production in order to become self-sufficient and thus save foreign exchange. This poses a serious problem for those countries dependent on the exportation of sugar.

Studies, Surveys, and Reports:

During the fiscal year 1962 a report was completed of costs, returns, profits, investment, and man-hour requirements in sugarcane production and sugar processing for Florida covering the crops from 1956 to 1958. Field work was completed for a similar study of growing sugarcane and processing sugar in Hawaii in 1959, 1960 and 1961. Summary of a study of sugar beets and beet sugar, 1957-59 crops, was completed and preparation of the report was well advanced.

A study was made of technical procedures being followed at Puerto Rican sugar mills to determine their adequacy for effecting a fair and equitable distribution of sugar between sugarcane processors and producers. Precrop instructional meetings with sugarcane processors were extended to Florida for the first time to insure a common understanding of sampling, testing and reporting procedures for sugarcane mills. These sessions were particularly beneficial to personnel of newly operating mills.

Statistical Bulletin No. 293, "Sugar Statistics and Related Data Compiled in the Administration of the U. S. Sugar Acts", was issued in September 1961. Sugar Reports, the monthly publication of the Sugar Division was issued throughout the 1962 fiscal year. This publication contains the latest available statistics and data for sugar on the domestic movement, supply and price situation, analyses of domestic and world market situations and of current problems of interest to domestic producers and consumers.

Receipts:

Receipts from the sugar program exceed Government outlays. The Sugar Act, through an amendment to the Internal Revenue Code, imposes a tax of 50 cents per hundred pounds of sugar, raw value, on all beet or cane sugar processed in or imported into the continental United States for Direct consumption. The excise tax on sugar, under Public Law 87-535, was extended to June 30, 1967. Section 213 of P.L. 87-535 further provides that all foreign sugar (except that from the Philippines) marketed in the continental United States shall be subject to the payment of an import fee which absorbs part or all of the difference between the domestic and world market prices. Sugar marketed against the Cuban reserve quota ("global quota") is subject to the full quota premium payment. Sugar marketed against specific foreign quotas assigned under the Act are subject to a cumulative increase of 10 percent for each of the 3 years for which such quotas are established.

The following table shows taxes collected compared with obligations under the sugar program:

Table I

Fiscal	Sugar Tax Collections				Total Obligations
	Excise Tax	Import Compensating Tax	Sugar Import 2/ Fee	Total	
1938-1947	$618,711,749	$41,097,312		$659,809,061	$481,880,677
1948	71,246,834	3,284,502		74,531,336	54,797,108
1949	76,174,356	4,698,867		80,873,223	71,880,810
1950	71,188,029	4,091,155		75,279,184	59,935,494
1951	80,191,884	3,613,479		83,805,363	63,684,105
1952	78,473,191	3,621,210		82,094,401	69,813,289
1953	78,129,860	5,005,959		83,135,819	64,929,566
1954	73,885,000	4,498,368		78,383,368	59,630,519
1955	78,512,000	4,177,097		82,689,097	59,600,000
1956	82,894,000	4,806,321		87,700,321	59,600,000
1957	86,091,000	4,305,501		90,396,501	67,600,000
1958	85,911,000	4,957,798		90,868,798	67,662,500
1959	86,378,000	5,683,187		92,061,187	76,000,000
1960	89,856,000	5,099,473		94,955,473	71,500,000
1961	91,818,000	1/1,546,600		93,364,600	74,500,000
1962	95,158,000	1/1,380,350		96,538,350	78,000,000
Subtotal	1,844,618,903	101,867,179		1,946,486,082	1,481,014,068
1963(Est)	97,029,690	770,310	$71,616,000	169,416,000	77,650,000
1964(Est)	98,660,800	739,200	90,340,000	189,740,000	80,000,000
Total	2,040,309,393	103,376,689	161,956,000	2,305,642,082	1,638,664,068

Tax collections exceed total program obligations in the amount of $465,472,014 for fiscal years 1938 through 1962.

1/ Preliminary.

2/ Based on current full quota premium of $48.00 per ton and partial quota premium of $4.80 to $14.40 per ton for periods covered. The actual quota premium in calendar years 1963 and 1964 will depend on price relationship between domestic and world sugar prices.

Financial Requirements

Table II summarizes financial requirements for the program.

SUGAR PROGRAM FINANCIAL REQUIREMENTS — Table II

	1962-1963 Appropriation 122/33305	1963-1964 Appropriation 123/43305	1964-1965 Appropriation 124/53305	1965-1966 Appropriation 125/63305	Total
1960 Sugar Program:					
Payments to producers: (Deferred)					
Puerto Rico (1960-1961)	$6,971,833				$6,971,833
1961 Sugar Program:					
Payments to Producers:					
Continental Sugar Beet Area	42,288,223				42,288,223
Continental Sugar Cane Area	10,860,179				10,860,179
Hawaii	9,965,119				9,965,119
Puerto Rico	5,438,770	$8,686,430			14,125,200
Virgin Islands	212,876				212,876
Total, 1961 program payments..	68,765,167	8,686,430			77,451,597
1962 Sugar Program:					
Payments to producers:					
Continental Sugar Beet Area		43,163,200			43,163,200
Continental Sugar Cane Area		13,074,000			13,074,000
Hawaii		10,235,500			10,235,500
Puerto Rico		2,328,670	$14,513,330		16,842,000
Virgin Islands		143,100			143,100
Total, 1962 program payments..		68,944,470	14,513,330		83,457,800
1963 Sugar Program:					
Payments to producers:					
Continental Sugar Beet Area			46,516,785	$718,415	47,235,200
Continental Sugar Cane Area			13,074,000		13,074,000
Hawaii			10,700,750		10,700,750
Puerto Rico			-	16,842,000	16,842,000
Virgin Islands			195,135		195,135
Total, 1963 program payments..			70,486,670	17,560,415	88,047,085
Total program expense	75,737,000	77,630,900	85,000,000		
Comparative transfer to other accts.	2,263,000	19,100	-		
Adjustment for probable reduction in payment requirements			a/ -5,000,000		
Total, Appropriation or estimate ...	78,000,000	77,650,000	80,000,000		

a/ The appropriation requested anticipates that actual payment requirements in the fiscal year 1964 may be less than those indicated by current forecasts of production.

(c) Agricultural Conservation Program

	On Direct Appropriation Basis	On Program Authorization Basis
Appropriation Act, 1963 and base for 1964	$212,900,000	$250,000,000 a/
Budget Estimate, 1964	220,000,000	150,000,000 a/
Increase or decrease	+7,100,000	-100,000,000

a/ The authorization includes operating expenses financed under the appropriation "Expenses, ASCS".

The Agricultural Conservation Program is operated on a program or crop-year basis and cost-sharing assistance is earned by farmers upon completion of approved measures. Funds for cash payments earned under the 1962 Agricultural Conservation Program which closes December 31, 1962 were made available in the Department of Agriculture and Related Agencies Appropriation Act, 1963. That Act, also authorized the formulation and administration of a $250 million program for 1963 for which this estimate is submitted.

SUMMARY OF INCREASES, 1964
(On basis of direct appropriation)

Increase to carry out the 1963 Agricultural Conservation Program in the amount authorized	+7,100,000

PROJECT STATEMENT
(On basis of program authorization)

Project	Appropriation 1962 (1961 Prog.) (actual)	Appropriation 1963 (1962 Prog.) (estimated)	Increase or Decrease	Appropriation 1964 (1963 Prog.) (estimated)
1. Cost-sharing assistance to farmers	$229,927,168	$219,900,000	+$100,000	$220,000,000
Other program expenses .	1,468,639	1,444,000	-1,444,000	- -
Total obligations	a/231,395,807	221,344,000	-1,344,000	220,000,000
Adjustments:				
Difference in amount used for purchase of conservation materials and services from prior fiscal year appropriation for current program and amount used for such purposes from current year	-2,125,660	-126,147	+1,873,853	-12,000,000
Reimbursements from sales of aerial photographs ..	-444,000	-444,000	+444,000	- -
Received by loan from CCC	-50,000,000	-50,000,000	+12,000,000	-38,000,000
Repayment of loan from CCC	+30,200,000	+42,100,000	+7,900,000	+50,000,000

(Continued on next page)

Project	Appropriation 1962 (1961 Prog.) (actual)	Appropriation 1963 (1962 Prog.) (estimated)	Increase or Decrease	Appropriation 1964 (1963 Prog.) (estimated)
1961 cash payments paid from fiscal year 1963 funds	-26,147	+26,147	-26,147	- -
Unobligated balance lapsing	+903	- -	- -	- -
Total available or estimate	209,000,903	212,900,000	+7,100,000(1)	220,000,000
Transferred in 1963 estimates to Expenses, ASCS	28,999,097			
Appropriation or estimate	238,000,000			

a/ Excludes operating expenses. Direct applied costs were $213,664,215 in fiscal year 1962. This amount is not directly reconcilable to the obligations shown above, which, for program payments, relate to the program year rather than the fiscal year.

INCREASE

(1) A net increase of $7,100,000 is proposed, as follows:

(a) An increase of $8,000,000 for cost sharing assistance to farmers. The 1963 appropriation was reduced $8,000,000 due to availability of underearnings from the 1960 program and anticipated underearning in the current program. No underearnings from the 1961 program are available to reduce the 1964 appropriation primarily due to the fact that (a) farmers utilized the program to a greater extent than for any previous program, and (b) a new provision in the 1962 appropriation act made it possible for each State to use up to 10% of the 1962 basic allocation to make payments under the 1961 program. It is anticipated that States will continue to make use of the 10% borrowing provision to the extent that little or no underearnings are expected for the 1962 and future programs.

(b) A decrease of $900,000 representing expenses previously paid from this appropriation but provided in the 1964 estimate under "Expenses ASCS", as follows:

Printing of program forms and bulletins	$196,850
Reimbursement to ARS for testing lime samples	18,570
Postage fees	4,530
Aerial photography (net)	680,050
Net total	900,000

Advance Authorization for 1964 Agricultural Conservation Program

An advance authorization of $150 million is proposed for the 1964 program year. this is a reduction of $100 million from the 1963 program authorization. The proposed reduction does not affect the amount of funds required to be appropriated for the fiscal year 1964, but rather will be reflected in the budget for the fiscal year 1965.

It is planned to continue the 1964 Agricultural Conservation Program on about the same basis, except for its total size, as the current program. No major program changes are contemplated at the national level. Major emphasis will continue to be placed on conservation practices with enduring benefits. County and State ACP programs will again be developed by the county and state ACP Development Groups and they will be asked to make necessary adjustments to accomplish the reductions based upon their experience and judgment.

State ACP Development Groups consist of the ASC State Committee (including representatives of the State Agricultural Extension Service), and representatives of the Soil Conservation Service and the Federal Forest Service. Presidents of Land Grant Colleges and State Directors of the Farmers Home Administration are invited to designate representatives to counsel with this group in the formulation of the State program. Also, representatives of State Soil Conservation Committees (Boards or Commissions), Colleges of Agriculture and of other State and Federal agricultural agencies are invited to participate in the deliberations on the State programs. The county ACP Development Group consists of comparable agency representatives at the county level with similar participation by other agricultural interests.

STATUS OF PROGRAM

National Conservation Action is a Necessity

Early in 1962 a policy guide for land and water resources was developed by the Department of Agriculture. A part of this report contains an estimate of the costs, including total private and public investment, which would be incurred if the conservation problems inventoried in the Department's recent conservation needs inventory are to be met. The report indicates that approximately $50 billion would be required to meet such problems, and if the treatments necessary were to be applied over a 20-year period, an average annual conservation expenditure of $2.5 billion would be required. This would equal nearly 10% of present annual farm operating costs or about 20% of the current net income from farming. At present, only 4% to 6% of net farm income is being invested in conservation measures, with over 60% of them accompanied by Federal cost-sharing. The current annual conservation investment from all sources is estimated at about $750 million of which about 30% is federal and 70% nonfederal. The report continues by pointing out that unless a greater portion of farm income than at present can be channeled into conservation investment, a billion-dollar increase in net farm income would yield at most a $60-million increase in conservation investment. The report concludes that increased income alone cannot be relied upon to achieve an annual investment in conservation comparable to what is estimated to be needed.

This report points up the great importance of public assistance to farmers if the public's interest in maintaining the Nation's basic resources is to be met.

Conservation Costs Before It Pays

Farm practices that conserve agricultural soil and water resources are costly. They require an initial outlay of capital to install and many of them result in a reduction in farm income and an increase in the amount of expenditures for farm operations. The economic phase of conservation work requires increased attention. Several recent studies have revealed some of the reasons why farmers are often reluctant to adopt conservation systems of farming, even though it is recognized that such a system will eventually result in increased farm income. These studies show that in addition to the substantial initial investment, there is usually a loss of immediate income when a conservation system of farming is adopted. They also show that returns which can be expected from some types of needed conservation measures (for example, terrace systems, erosion control structures and certain forestry improvement measures) will not equal their cost for a long time even though they may be necessary to prevent irreparable loss of soil resources and to insure vital water resources and supplies. There are greater risks in some types of needed work (such as contour farming or the establishment of soil-saving cover in some areas) than farmers and lenders are generally willing to assume.

Farmers and the Public Jointly Invest and Jointly Benefit

Because of their inseparable interest and mutual interdependence, farmers and other citizens have recognized the necessity of jointly bringing their resources to bear on problems in the field of soil, water, and woodland conservation. Federal and State governments have sought and continue to seek the best methods of expressing this essential partnership. Research and experimental work have developed and are developing means by which soil and water resources can be conserved. Educational work is teaching the value of and need for conservation effort. Technical services help determine the conservation measures that are needed and furnish engineering and other professional assistance to correctly install them. Federal cost-sharing by the Agricultural Conservation Program helps overcome, through its incentives and other resources, the economic barriers to carrying out conservation measures. The Agricultural Conservation Program affords a means by which all the people may bear a part of the costs of those measures that would not otherwise be carried out at the rate needed to meet the public interest. It assists farmers and ranchers to protect the public's interest in the Nation's soil, water, and woodland resources by sharing with them the cost of carrying out soil-building and soil-and water-conserving practices more rapidly and to a fuller extent than would be practicable through usual farm management practices. The program, which is applicable to all farmland except some federally administered noncropland, helps insure continued abundant production at bargain prices, for all of the people of the country.

Local People Develop Their Own Program

Development of the Agricultural Conservation Program begins at the local or county level. The Agricultural Stabilization and Conservation county committee, with the assistance of the County Extension Agent and representatives of the Soil Conservation Service, Forest Service, and other local groups interested in conservation, make recommendations to the State ACP Development Group.

These recommendations are used as the basis to formulate joint recommendations to the Agricultural Stabilization and Conservation Service in Washington. From these recommendations, the Agricultural Stabilization and Conservation Service, Economic Research Service, Office of Rural Areas Development, Forest Service, and Soil Conservation Service, develop and recommend to the Secretary a national program. State and local people then develop their programs within the structure of the national program authorized by the Congress and approved by the Secretary.

Local People Administer Their Program

The Agricultural Conservation Program is administered locally by Agricultural Stabilization and Conservation county committees which are composed of resident farmers elected by farmers they serve. County committees are supervised by Agricultural Stabilization and Conservation State Committees

composed of resident farmers appointed by the Secretary of Agriculture. The local County Agent is ex officio a member of the county committee and the State Director of Extension holds a like position on the State committee.

State, county and community committeemen are assigned the responsibility for the field administration of the program and work directly with farmers in utilizing program assistance in an effort to get the greatest volume of conservation performed on the land by the farmers themselves. The responsibility for technical determinations in the field regarding permanent type practices is assigned to the Soil Conservation Service, except for forestry practices, for which responsibility is assigned to the Forest Service.

The 1962 Program again Emphasized Conservation in Land-Use Adjustments and Land Treatment Conservation Measures within Watersheds

The Department carried out the 1962 Agricultural Conservation Program consistent with the authorization contained in the Department of Agriculture and Farm Credit Administration Appropriation Act, 1961. The Department continued the policy of directing program emphasis toward, but not limiting assistance to, enduring practices which are essential in the public interest and which farmers or ranchers would not carry out to the desired extent with their own resources, and to practices needed to meet the conservation problems on land being shifted out of production.

To illustrate the function and economic effect of the Agricultural Conservation Program in land-use adjustment, the program has shared the cost with farmers on establishing about 33 million acres of enduring vegetative cover, including tree cover, during the eight years 1954-1961. A high percentage of this land was cropland producing at an intensive level.

Also, the Agricultural Conservation Program has been instrumental in furthering the objectives and accomplishments of authorized watershed programs. For example, during the years 1955-1961, over $60 million of ACP funds were used to share costs of the land treatment conservation measures within the boundaries of the 11 approved flood prevention watersheds, 55 pilot watersheds in which operations were authorized under Public Law 46, and watersheds authorized for operations under Public Law 566. These costs were shared on from about 34,000 farms in 1955 to about 63,000 in 1961. In the case of the Public Law 566 watersheds included in these data, the number of watersheds increased from 26 (with 908 farms participating in ACP) in 1955 to 368 (with 26,901 farms participating in ACP) in 1961.

The Program for 1963

The 1963 program is essentially the same as the 1962 national program, including the new authority in the Department of Agriculture and Related Agencies Appropriation Act, 1962, for wildlife conservation practices which also have soil or water conservation benefits. State committees allocated the funds available for conservation practices among the counties consistent with the needs for enduring conservation, giving particular consideration to the furtherance of watershed conservation programs sponsored by local people and organizations.

Authority for local development and adaptation of the program continues. There is also encouragement for modifications of regular practices to meet local problems. Under this authority, emphasis is given to the development or adaptation of the program to help meet continuing needs for (1) sound land-use adjustment, (2) land treatment measures in special watershed programs, and (3) dealing with special farm conservation problems of particular consequence in depressed agricultural areas. In addition, there is continued the provision for the development of new practices to meet new or unusual conservation problems including emergency conservation problems arising as a result of natural disasters such as floods, hurricanes, and intense drought.

The maximum Federal cost-share limitation under the regular program remains at $2,500, (except pooling agreements in which case the limitation is $10,000), the same as for 1962.

The 1961 Program Accomplished Much Conservation

Funds available for program assistance, after estimated costs of administration are deducted from the maximum authorization, are distributed among States in accordance with their conservation needs, except for the minimum allotment provision contained in Section 15 of the Soil Conservation and Domestic Allotment Act, as amended. Funds for the Naval Stores Conservation Program, cost of aerial photography, program printing, and transfers to the Treasury Department are subtracted from the amount available for program assistance before the conservation needs formula is applied. The amount for Naval Stores has been determined in the same manner since 1948 and is based on the need for assistance under the Naval Stores Conservation Program as related to the total funds available for cost-sharing assistance to farmers.

Program Data

Participation under the 1961 Agricultural Conservation Program

Item	Unit	Participating 1/
Farms	Number	1,216,556
Farmland	1,000 acres	433,372
Cropland	1,000 acres	182,225
Noncrop pasture and range	1,000 acres	184,827

1/ Includes the United States, Puerto Rico, the Virgin Islands, and the Supplementary (Emergency) Agricultural Conservation Program.

Extent of Selected Conservation Measures Performed Under the 1961 Agricultural Conservation Program and Accomplishments Under the Agricultural Conservation Programs - 1936-1961. Includes Supplemental (Emergency) Agricultural Conservation Programs.

Practice	Unit (in thousands)	Extent under 1961 program 1/	Total accomplishments 1936-1961 1/
Dams and reservoirs 2/	Structures	50	1,705
Standard terraces	Acres	689	26,131
Diversion and spreader terraces..	Miles	4	129
Permanent sod waterways	Acres	44	726
Stripcropping	Acres	467	111,055
Leveling to conserve irrigation water and control erosion	Acres	341	7,498
Drainage	Acres	1,520	41,670
Tree planting	Acres	336	3,327
Timber stand improvement	Acres	256	2,598
Liming materials applied	Tons	16,746	439,549
All vegetative cover	Acres	16,055	770,610
Control of competitive shrubs on range or pasture	Acres	2,209	44,377

1/ Includes completed measures only.
2/ Includes storage-type structures for erosion control, irrigation water, livestock water and forest-fire control.

(d) Conservation Reserve Program

Appropriation Act, 1963 and base for 1964	$300,000,000
Budget Estimate, 1964	294,000,000
Decrease	-6,000,000

Note: The following justifications are presented on a funds available basis, and the amount for 1963 reflects the carryover from the prior year. Taking carryovers into account, the 1964 Budget estimates reflect a decrease of $10,493,769 from estimated funds available in 1963. This excludes an anticipated supplemental appropriation of $4,000,000.

SUMMARY OF DECREASES, 1964
(On basis of available funds)

Decrease in the requirements for program payments to producers under the 1963 program	-$10,493,769

PROJECT STATEMENT
(On basis of available funds)

Project	1962	1963 (estimated)	Increase or Decrease	1964 (estimated)
1. Conservation Reserve Program:				
a. Program payments to producers:				
Annual	$331,748,257	a/$303,872,852	-$9,992,852(1)	$293,880,000
Practice	1,016,489	580,000	-460,000(2)	120,000
Acreage Reserve Program payments	15,156	- -	- -	- -
Total payments to producers	332,779,902	304,452,852	-10,452,852	294,000,000
b. Production of tree seedlings	9,083	40,917	-40,917(3)	- -
Total program payments b/	332,788,985	304,493,769	-10,493,769	294,000,000
Balance brought forward c/	-34,425,328	-2,382,835	+2,382,835	- -
Recovery of prior year obligations	- -	-2,110,934	+2,110,934	- -
Balances carried forward	2,382,835	- -	- -	- -
Transfer in 1964 estimates to expenses, Agricultural Stabilization and Conservation Service	11,253,508	- -	- -	- -
Total, appropriation or estimate	312,000,000	300,000,000	-6,000,000	294,000,000

a/ This amount excludes an anticipated supplemental appropriation of $4,000,000.

b/ Applied costs for 1962 exceed obligations by $7,534 and are due primarily to the excess of tree seedlings received over orders placed in the year.
c/ Includes the unexpended balance of advances to CCC.

DECREASES
(On basis of available funds)

The decrease of $10,493,769 under the appropriation "Conservation Reserve Program" is for program payments to be made in 1964 in compliance with contracts negotiated in the 1956 through the 1960 programs. The decrease in payments consists of the following:

(1) A decrease of $9,992,852 in annual payments: Under 3 to 10 year contracts negotiated with farmers during the five year period ending with the 1960 program, the Federal Government is obligated to make annual rental payments for land held out of production.

The latest analysis of individual contracts shows requirements for the fiscal year 1964 rental payments as follows:

	Contracts in force	Payments due producers	Acres with-held from production	Average Annual Rate Per Acre
Fiscal year 1963	269,644	a/$303,872,852	25,655,625	$11.84
Less: Expirations during				
Fiscal year 1962	19,388			
Fiscal year 1964, est. ...	250,256	293,880,000	24,655,625	11.92

a/ This estimate excludes an anticipated supplemental appropriation of $4,000,000.

(2) A decrease of $460,000 in practice payments: It is anticipated that the reestablishment of conservation practices which have failed because of natural disasters will be substantially completed by the end of the current fiscal year. The rate of payment for cost-share assistance for reestablishment of a practice is 50% of the regular rate.

(3) A decrease of $40,917 in tree seedlings: It is estimated that additional funds will not be required for the production of tree seedlings in the fiscal year 1964.

STATUS OF PROGRAM

Current Activities: The Conservation Reserve Program is used to help meet the agricultural surplus problem. Its primary purpose was to divert land from crop production in excess of current needs. It also provided assistance to farmers in establishing and maintaining protective cover or other sound conservation uses on the land placed in reserve.

The Conservation Reserve was a voluntary program, under which the participating farmer signed a contract to withdraw a specified acreage of cropland from production for a period of from 3 to 10 years. He agreed to comply with any acreage allotments on his farm and to reduce his total crop acreage by the amount of land placed in the reserve. To protect the land taken out of production, the farmer also agreed to provide adequate vegetative or other approved conservation cover. He also must control weeds and take other measures as may be necessary to prevent grazing such as building or maintaining fences. The farmer's compliance with the contract binds the Federal Government to make an annual rental payment for the land held out of production and, where necessary, to assist with the cost of establishing the conservation practices on the reserve tract.

Selected Examples of Recent Progress.

25.7 Million Acres Now in Conservation Reserve: The Conservation Reserve program began late in the 1956 crop year and reached a peak of participation with the 1960 crop year signup of 28.7 million acres, the last year in which a program for signing up additional acreage was authorized. Contracts covering 300 thousand acres expired at the end of the 1960 program and 2.5 million acres at the end of the 1961 program.

During the 1962 crop season, conservation reserve contracts on 269,644 farms were in effect, covering about 25.7 million acres in all States except Alaska, Hawaii, and Nevada. The acreage was put in the program during the period 1956 through 1960, and receives an average annual rental payment of $12.05 per acre.

Of the 25.7 million acres of cropland in the Conservation Reserve during 1962, 74% (18,946,215 acres) is on farms on which all the eligible land has been placed in the program. Since all the crop-producing land has been taken out of production on these farms, the production adjustment accomplished cannot be offset by more intensive crop production on other land on the same farm.

The number of contracts and the reserve acreage under contract, by States, is shown in Table I.

Conservation Achievements: Grass cover is the most popular of the conservation practices carried out on Conservation Reserve land, especially in the Great Plains States. In this area, the program is stimulating the

return to grass and legumes of vast areas of dry land planted to grain under wartime needs. Contracts in effect in 1962 provide for grass and legume cover on 23.2 million acres of which about 17.2 million acres were new plantings and 6.0 million existing acres were maintained.

On contracts in effect in 1962 a total of nearly 2.1 million acres of the Conservation Reserve acreage has been or is being planted to trees and shrubs. Tree-planting contracts are for the full 10-year period. When cropland goes out of production and is planted to trees, it is likely to remain out of production for a long period of time, perhaps permanently.

Practices designed especially for wildlife protection have gained favorable acceptance by participating farmers and general approval of sportsmen and wildlife organizations. On contracts in effect in 1962 about 302,000 acres of the Conservation Reserve acreage are being devoted to wildlife cover and water impoundments for wildlife including the construction of water control structures which will flood 10,000 acres of cropland. The Conservation Reserve contracts still in effect in 1962 include provision for the construction of 4,755 dams, pits and ponds to impound water for wildlife, recreation, and other purposes on 12,750 acres. In addition many of the conservation measures established on land on which contracts have expired, continued through the year, but are not shown in this report.

Practice Payments Nearly Completed: The bulk of the conservation practices are established soon after producers enter into contracts. Additional amounts required for the initial establishment of conservation cover will be small. Requirement for the re-establishment of practices which fail due to natural disasters are also expected to be small.

Rental Payments Continue Through Fiscal Year 1972: Since 1960 was the last year in which additional acreage could be entered into the program, and a number of contracts will terminate each year in accordance with the contract provisions, rental payments are scheduled on a diminishing basis as depicted on the following table. It should be noted however that cancellation of contracts causing refund of rental and practice payments may reduce estimated disbursements for each year. Also where conservation reserve acreages are included in designated disaster areas and harvest of the conservation reserve is permitted, a part of the annual rental payment is refunded, which has the effect of reducing the amounts to be paid annually under this program. Refunds due to disaster area designations amounted to more than $2.4 million in 1961 and approximately $1.1 million in 1962.

PARTICIPATION DATA - 1962 CONSERVATION RESERVE PROGRAM 1/
(1956-1960 Contracts in Force) TABLE I

State	Number of Contracts Cumulative	Total Reserve Acreage All Farms	Total Reserve Acreage From Whole Farms	Portion of Total Acreage on Whole Farms	Estimated Annual Payments 1963 F. Y.	Average Rental Rate Per Acre
Ala.	8,007	394,062	275,727	70.0%	$4,936,150	$12.54
Ariz.	25	2,769	1,554	56.1	39,030	14.09
Ark.	8,540	549,588	449,494	81.8	6,692,884	12.18
Calif.	946	178,772	108,616	60.8	2,355,305	13.16
Colo.	4,008	1,178,634	789,253	67.0	9,098,494	7.72
Conn.	182	4,311	4,083	94.7	83,031	19.26
Del.	267	17,612	16,231	92.2	293,100	16.64
Fla.	2,049	215,396	135,396	62.9	2,080,790	9.67
Ga.	14,341	1,029,302	633,420	61.5	11,855,062	11.52
Idaho	1,384	254,579	205,112	80.6	3,165,445	12.47
Ill.	5,724	415,444	384,432	92.5	7,149,176	17.23
Ind.	7,224	458,525	427,702	93.3	8,488,040	18.51
Iowa	6,421	572,460	520,902	91.0	10,594,583	18.51
Kans.	11,396	1,363,270	928,857	68.1	16,289,133	11.95
Ky.	5,081	368,588	340,501	92.4	6,060,811	16.45
La.	3,183	211,542	169,256	80.0	2,867,615	13.56
Maine	2,384	108,072	96,304	89.1	1,293,892	11.98
Md.	1,291	72,864	65,222	89.5	1,230,249	16.88
Mass.	107	2,636	2,302	87.3	40,630	15.41
Mich.	10,331	640,947	604,477	94.3	8,600,000	13.43
Minn.	16,914	1,651,491	1,307,167	79.2	18,907,988	11.45
Miss.	5,053	285,762	133,888	46.9	3,923,797	13.74
Mo.	9,716	770,896	642,461	83.3	11,110,971	14.41
Mont.	1,856	595,673	481,353	80.8	5,402,670	9.08
Neb.	6,589	810,420	676,313	83.5	9,905,279	12.22
N. H.	424	11,335	10,824	95.5	151,355	13.35
N. J.	995	45,309	38,956	86.0	791,568	17.47
N. Mex.	3,056	772,493	451,477	58.4	6,298,390	8.15
N. Y.	8,658	455,185	413,786	90.9	5,924,904	13.02
N. C.	7,501	260,563	178,316	68.4	3,969,155	15.25
N. Dak.	11,021	2,491,814	1,891,501	75.9	24,798,853	9.95
Ohio	7,889	472,990	453,397	95.9	8,267,768	17.49
Okla.	14,422	1,314,551	854,397	65.0	14,380,960	10.94
Oreg.	1,943	203,994	133,230	65.3	2,934,348	14.56
Pa.	6,631	336,475	320,577	95.3	5,273,081	15.67
R. I.	3	43	43	100.0	873	20.30
S. C.	11,514	619,012	392,472	63.4	7,916,332	12.81
S. Dak.	9,508	1,632,292	1,226,527	75.1	17,113,293	10.50
Tenn.	7,280	470,307	401,323	85.3	7,146,599	15.22
Texas	26,677	2,923,767	1,557,592	53.3	31,499,373	10.77
Utah	838	214,617	158,784	74.0	1,829,304	8.52
Vt.	972	31,974	30,873	96.6	419,506	13.12
Va.	2,156	103,191	94,972	92.0	1,646,702	15.96
Wash.	2,043	317,041	174,036	54.9	3,985,369	12.58
W. Va.	1,709	55,359	54,345	98.2	830,041	14.99
Wis.	10,945	662,520	624,236	94.2	9,284,886	14.03
Wyo.	440	107,178	84,528	78.9	946,067	8.86
TOTAL	269,644	*25,655,625	*18,946,215	73.8	307,872,852	12.02

1/ Based on county survey by State Offices.
* Rounded from whole figure.

ESTIMATED RENTAL PAYMENTS BY FISCAL YEARS

Conservation Reserve Program

(From Data Processing Center Report of July 15, 1962)

Fiscal Year	Annual Rental Payments For Current Contracts (dollars)	Estimated Acres in Reserve (Acres)
1963	307,872,852	25,655,625
1964	296,897,990 2/	24,344,723
1965	202,171,817	17,591,755
1966	156,773,613	14,225,653
1967	151,533,127	13,653,897
1968	131,375,823	11,390,881
1969	116,615,052	9,707,645
1970	42,886,575	3,609,469
1971 1/	808,074	69,989
1972 1/	74,022	6,868
Total	1,407,008,945	XX

1/ Represents mandatory extensions because tree seedlings were unavailable during 1960.

2/ It is currently estimated that this amount will be met by use of cancellations, refunds, and haying and grazing credits, which will become available in addition to the amount appropriated.

(e) Land-Use Adjustment Program

Budget Estimate, 1964 (new program)	$27,000,000
Increase (For adjustment payments on pilot projects to convert land to conservation or recreation use, and for rental and practice payments on Conservation Reserve land extended for one year)	+27,000,000

PROJECT STATEMENT

Project	1962	1963 (estimated)	1964 (estimated)
Adjustment and rental payments:			
Cost sharing and technical assistance (Total appropriation or estimate) ..	- -	- -	$27,000,000

Increase

Title I, Public Law 87-703, approved September 27, 1962, includes authority for the Secretary to carry out long-range conservation plans with individual farmers and ranchers through agreements, for up to ten years, providing for assistance in amounts not in excess of $10,000,000 for any calendar year. In addition, for calendar year 1963, the act authorized assistance with respect to lands previously covered by conservation reserve contracts which expired December 31, 1962, in an amount not exceeding $15,000,000.

Activities for the calendar year 1963 under Section 101, Title I will be directed toward land that was covered by Conservation Reserve contracts which expired at the end of 1962. There are approximately 1.3 million such acres. The Department has offered to enter in 1-year agreements with farmers and ranchers, at substantially the same payment rate as now being made, to continue these acres in conservation uses. Cost-sharing has been offered also to convert this land, which is already in grass cover, to trees.

Pilot projects will be initiated in representative areas throughout the country. These pilot or test programs will be designed to determine how land to be released from Conservation Reserve contracts at the end of 1963 and future years and how other land can best be used for conserving and developing soil, water, forest, wildlife and recreation resources in a land adjustment program. Under these pilot programs, it is anticipated that an adjustment payment will be required to compensate the landholder for the adjustments made and also cost-share payments to provide for the establishment of trees, grass or recreation facilities.

The estimate of $27.0 million is based on the assumption that a 1963 supplemental appropriation of $6.0 million will be approved to finance the cropland adjustment program and establishment of trees on land coming out of the conservation reserve before funds become available from 1964 appropriations.

Estimated requirements for funds under this program are as follows:

Item	Fiscal Year 1963 Supplemental Estimate	Fiscal Year 1964 Estimate
	Million Dollars	
Conservation Reserve Extention:		
Rental payments	-0-	12.3
Practice payments	1.0	1.7
1963 Land Use Pilot Program:		
Adjustment payments	5.0	-0-
Practice payments	-0-	5.0
1964 Land Use Pilot Program:		
Adjustment payments		5.0
Practice payments		3.0 a/
Total	6.0	27.0

a/ Remaining payments under the 1964 program ($2 million) would be made from subsequent appropriations.

(f) Emergency Conservation Measures

PROJECT STATEMENT

Project	1962	1963 (estimated)	Increase or Decrease	1964 (estimated)
Emergency cost-sharing assistance to farmers and ranchers	$8,516,154	$9,519,414	-$9,519,414	- -
Unobligated balance brought forward	-11,737,909	-9,188,267	+9,188,267	- -
Unobligated balance carried forward	9,188,267	- -	- -	- -
Recovery of prior year obligations	-966,512	-331,147	+331,147	- -
Appropriation or estimate	5,000,000	- -	- -	- -

Program for 1961, 1962, and 1963

These funds are available for assistance to farmers only when natural disasters create new conservation problems which if not treated will (1) impair or endanger the land, (2) materially affect the productive capacity of the land, (3) represent damage which is unusual in character and, except for wind erosion, is not the type which would recur frequently in the same area, and (4) be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

Under the 1961 program, assistance was provided primarily for rehabilitating land damaged from the extended widespread and intense drought that occurred in the inter-mountain and Great Plains States and east to the Great Lakes. Under the 1962 and 1963 programs, cost-sharing assistance is being provided for carrying out emergency conservation measures to treat farmlands damaged by flood and farmlands susceptible to damage from wind erosion.

Cost-sharing assistance (up to 80% of the cost of carrying out approved practices) is offered to assist and encourage farmers to rehabilitate farmlands damaged by natural disasters.

Funds for emergency cost-sharing assistance are distributed among States on the basis of needs for restoration of damaged lands.

STATUS OF PROGRAM

Public Laws Nos. 85-58 and 85-170 appropriated $24 million for providing cost-sharing assistance to farmers and ranchers for carrying out approved emergency conservation measures to restore and protect farmland damaged by natural disasters. Public Law 85-766 provided that the unobligated balance remain available until expended. Public Law 87-332 appropriated an additional $5 million.

An unobligated balance of approximately $9.5 million was carried forward into the fiscal year 1963. As of January 21, 1963, $4.1 million had been made available to States for emergency conservation measures to be carried out under the 1963 program to rehabilitate farm and ranchland damaged by wind and flood.

Cost-sharing assistance (up to 80% of the cost of carrying out approved practices) is offered to assist and encourage farmers to rehabilitate farmlands damaged by natural disasters. Assistance is available only when, as a result of wind erosion, floods, hurricanes, or other natural disasters, new conservation problems have been created which (1) if not treated, will impair or endanger the land; (2) materially affect the productive capacity of the land; (3) represent damage which is unusual in character and, except for wind erosion, is not the type which would recur frequently in the same area; and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

Funds for emergency cost-sharing assistance are distributed among States on the basis of needs for restoration of damaged lands.

Flood

In the flood disaster areas, farmers have sustained considerable loss by severe gully erosion, silting of drainage systems, and damage to waterways, terraces, and diversions. Many bottom land fields have been severely scoured and cut by streams that overflowed their banks.

Cost-sharing assistance to rehabilitate farmlands damaged by floods includes:

1. Removal of debris.

2. Smoothing gullies and field washouts.

3. Stream bank stabilization.

4. Restoration of pond levees, spillways, sod waterways, drainage ditches, terraces, and diversions.

Six counties have been designated as disaster counties eligible for cost-sharing assistance - Arizona-2, Washington-1, and Oregon-3.

Wind Damage

A severe windstorm in October resulted in considerable damage to cropland, pastures, and orchards in the States of Oregon and Washington. Twenty counties have been designated as disaster counties eligible under the criteria in and authority of Public Law 85-58.

Cost-sharing assistance has been approved for the following practices:

1. Removal of debris from stream channels, waterways, and ditches.

2. Removal of debris from cropland and pastures.

3. Removing debris from orchards.

4. Removing debris from farm woodland.

* * * * * * *

The funds available for emergency cost-sharing assistance have been used as follows:

	million dollars
Reimbursement to President's Disaster Relief Fund	.9
1957 program	1.0
1958-1962 programs	17.6
1963 program	4.3
Unallocated balance as of 2/5/63	5.2
Total	29.0

The statement below shows by State, the number of designated counties and the amounts allocated for cost-sharing assistance, by program, beginning with 1958 program:

Allocations as of February 6, 1963

	1958 & 1959 Prog. 1/		1960 Program 1/		1961 Program		1962 Program		1963 Program	
	Counties designated	Allocation	Counties designated	Allocation	Counties designated	Allocation	Counties designated	Allocation	Counties designated	Allocation
	Number	Dollars	Number	Dollars	Number	Dollars	Number	Dollars	Number	Dollars
Alaska	1	30,000	--	--	--	--	1	70,000	--	--
Arizona	--	--	--	--	3	12,486	--	--	2	700,000
Arkansas ...	19	206,701	--	--	6	87,300	--	--	--	--
Delaware ...	--	--	--	--	--	--	3	97,000	--	--
Hawaii	--	--	--	--	1	7,327	--	--	--	--
Idaho	--	--	--	--	23	1,705,346	11	822,000	--	--
Indiana	27	215,597	1	10,648	--	--	--	--	--	--
Kansas	3	27,763	3	10,914	--	--	--	--	--	--
Kentucky ...	31	463,368	--	--	19	542,000	19	617,000	--	--
Louisiana ..	7	116,365	--	--	--	--	3	30,000	--	--
Minnesota ..	9	--	--	--	--	--	--	--	--	--
Mississippi.	--	--	--	--	1	7,024	--	--	--	--
Missouri ...	45	1,354,403	8	139,664	--	--	--	--	--	--
Montana	--	--	--	--	26	343,744	--	--	--	--
Nebraska ...	--	--	--	--	--	--	4	84,000	--	--
Nevada	--	--	--	--	3	9,039	3	73,000	1	26,000
New Jersey..	--	--	--	--	--	--	3	77,000	--	--
New Mexico..	1	48,000	--	--	--	--	--	--	--	--
North Dakota	--	--	--	--	53	3,623,000	--	--	--	--
Oklahoma ...	21	143,571	9	50,183	--	--	--	--	--	--
Oregon	2	127,907	--	--	8	375,042	3	81,000	18	3,154,000
Puerto Rico.	--	--	--	--	1	47,415	--	--	--	--
South Dakota	--	--	4	6,374	14	398,426	2	27,000	--	--
Texas	35	2,387,846	4	74,832	13	507,807	6	1,030,000	--	--
Utah	--	--	--	--	29	1,079,500	2	100,000	--	--
Washington..	1	40,848	--	--	--	--	--	--	6	423,000
Wyoming	--	--	--	--	10	268,517	2	50,000	--	--
Total	202	5,162,369	29	292,615	210	9,013,973	62	3,158,000	27	4,303,000

1/ Adjusted to reflect cost-sharing for practices actually installed.

STATEMENT OF OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS

(Includes only those amounts which, by November 30, 1962, were actually received or programed for 1963 or 1964. Since work for other agencies is performed on a service basis, at the request of those agencies and for their benefit, it is not practicable to estimate in advance the amounts to be received in some cases.)

Item	Obligations, 1962	Estimated Obligations, 1963	Estimated Obligations, 1964
Allotment from:			
Great Plains Conservation Program - To assist Soil Conservation Service in explaining programs of conservation in the Great Plains States and in relating it to other programs	$60,763	$65,113	$68,863
Emergency Credit Revolving Fund Agriculture - For emergency assistance in furnishing feed to farmers and stockmen in disaster areas	8,375	- -	- -
Revolving Fund, Defense Production Act, Agriculture - For ultimate net costs of purchase and resale of agriculturel commodities initially financed by Commodity Credit Corporation	2,855,854	3,085,343	3,249,209
Consolidated Working Fund, General Agriculture:			
For area redevelopment program	17,000	78,195	100,000
For area liaison civil defense activities, Department of Defense.	40,820	- -	- -
Total, Allotments	2,982,812	3,228,651	3,418,072
Allocations and Other Funds (Advances from other agencies):			
Agricultural Marketing Service:			
Removal of surplus agricultural commodities:			
Direct purchases	7,041,963	- -	- -
Diversion to by-products and new uses	10,957,119	10,000,000	10,000,000
Operating expenses for surplus removal and marketing agreements and orders	2,407,722	1,413,000	825,800
Total, Removal of surplus agricultural commodities	20,406,804	11,413,000	10,825,800

(Continued on next page)

Item	Obligations, 1962	Estimated Obligations, 1963	Estimated Obligations, 1964
School Lunch Program:			
Food assistance:			
Operating expense	187,816	220,000	234,600
Agency for International Development - For providing or procuring commodities for other agencies for distribution to foreign claimants.	27,031,139	27,062,000	27,062,000
Salaries and Expenses, Office of Emergency Planning - For staff assistance, defense planning	14,758	- -	- -
Civil Defense and Defense Mobilization functions of Federal Agencies, Office of Emergency Planning - For regional and national liaison representatives	105,094	112,654	99,400
For state defense activities	- -	132,346	1,144,600
Total, Allocations	47,745,611	38,940,000	39,366,400
Obligations under reimbursements from Governmental and Other Sources:			
Expenses, Agricultural Stabilization and Conservation Service	138,443	988,579	- -
TOTAL, OBLIGATIONS UNDER ALLOTMENTS AND OTHER FUNDS a/	50,866,866	43,157,230	42,784,472

a/ Of the totals reflected here the following amounts are also included in the other accounts portion of the "Expenses, ASCS" justifications, 1962, $736,226; 1963, $1,479,887; 1964, $2,473,263.

PASSENGER MOTOR VEHICLES

The Agricultural Stabilization and Conservation Service disposed of its last two passenger motor vehicles in fiscal year 1962 by transfer to the General Services Administration. The Service will continue to use the GSA motor pools which are conveniently located to ASCS operations.